

SENATE BILL REPORT

HB 2512

As Reported By Senate Committee On:
Ways & Means, February 26, 2004

Title: An act relating to transferring responsibility for collecting certain telephone program excise taxes from the department of social and health services to the department of revenue.

Brief Description: Transferring responsibility for collecting certain telephone program excise taxes from the department of social and health services to the department of revenue.

Sponsors: Representatives Hunter and McIntire; by request of Department of Social and Health Services and Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/26/04 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan and B. Sheldon.

Staff: Catherine Suter (786-7442)

Background: Telecommunications Relay Service and Telecommunications Access Service. The Office of the Deaf and Hard of Hearing (ODHH) of the Department of Social and Health Services (DSHS) provides services to the deaf, hard of hearing, and deaf-blind communities throughout Washington. The ODHH, under a license from the Federal Communications Commission (FCC), contracts for Telecommunications Relay Services (TRS) which provide telecommunications access to all teletypewriter (TTY) users in the state. The Telecommunications Access Service (TAS) distributes equipment such as TTYs, TTYs with braille, amplified phones, and signaling devices to deaf, deaf-blind, hard of hearing, and speech-impaired persons.

The program is funded through the telecommunications relay service excise tax. The program budget needs are determined by the ODDH and the Office of Financial Management. The Utilities and Transportation Commission then determines the amount of the excise tax needed to fund the program. The tax may not exceed 19 cents per month per access line; as of December 2003, the tax was 15 cents per month per line. The tax is identified on each ratepayer's bill with the statement "Funds federal ADA requirement."

Washington Telephone Assistance Program. The Washington Telephone Assistance Program (WTAP) has been operating since 1987 to help provide telephone services to low-income residents of the state. The program provides a reduced monthly charge for basic telephone

service, a 50 percent discount on connection fees, and waivers of deposits for local telephone service. DSHS is the program administrator for the WTAP.

Households are eligible for the WTAP if they have an adult recipient of one or more of the public assistance programs administered by DSHS. Individuals must apply through their local telephone company for WTAP assistance. The service for which partial reimbursement is paid must be the lowest available flat rate telephone service. Twenty-four telephone companies provide service under the WTAP.

The Utilities and Transportation Commission (UTC) sets the excise tax which funds the program. The excise tax is limited by statute to no more than 14 cents on all switched access telephone lines in the state. The excise tax does not apply to wireless subscribers. The current excise tax is set at 13 cents.

Administration of Taxes by the Department of Revenue. A number of statutory requirements govern the administration of certain excise taxes, such as the retail sales and use taxes and the business and occupation (B&O) tax, by the Department of Revenue (department). These requirements include provisions for the collection and remittance of tax to the department by the taxpayer or, for certain consumer taxes, the retailer, wholesaler, or manufacturer. There are enforcement provisions with respect to the proper and timely remittance of taxes, and requirements relating to circumstances in which a business ceases operations or reorganizes. Businesses who fail to collect or remit taxes are guilty of misdemeanors. The department is given the authority to adopt rules for administration, collection, and enforcement.

Under the retail sales and B&O taxes, there are also provisions that allow businesses to deduct amounts relating to taxes previously paid or remitted on debts that go unpaid. Businesses that sell items or services for resale do not collect retail sales taxes but must follow certain documentation requirements concerning sales to resellers.

Summary of Bill: The administrative responsibility for collection of the telephone excise taxes under the programs for Telecommunications Relay Service and Telecommunications Access Service, and for the Washington Telephone Assistance Program, is transferred to the Department of Revenue (DOR). DSHS remains the administrator of the funds under the programs.

For both the telecommunications relay service excise tax and the telephone assistance excise tax, the department is to calculate the amount of monthly tax to be collected per switched access line in the same manner that the Utilities and Transportation Commission had previously calculated the tax.

Provisions are included governing the collection, remittance, and administration of the taxes. Existing DOR excise tax administrative requirements apply to the telephone program excise taxes, and the department may adopt rules necessary to administer the taxes. Taxes are due at the same time and with the same returns for other excise taxes administered by the department.

The department may enforce collections from subscribers who refuse to pay. Local exchange companies are required to collect and remit taxes and are liable for unpaid taxes. Subscribers who do not pay, and local exchange companies that fail to remit taxes, are guilty of misdemeanors.

Businesses may take credits for taxes previously remitted with respect to debts that go unpaid. Businesses that sell services for resale must obtain a resale certificate from the buyer and follow certain other documentation requirements concerning sales to resellers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2004.

Testimony For: None.

Testimony Against: None.

Testified: No one.