

# SENATE BILL REPORT

## SSB 5948

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As Passed Senate, February 10, 2004

**Title:** An act relating to bundled telecommunications services.

**Brief Description:** Modifying the taxation of telephone services.

**Sponsors:** Senate Committee on Technology & Communications (originally sponsored by Senators Honeyford, B. Sheldon and Johnson).

**Brief History:**

**Committee Activity:** Technology & Communications: 1/26/04, 1/29/04 [DPS].  
Passed Senate: 2/10/04, 49-0.

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### SENATE COMMITTEE ON TECHNOLOGY & COMMUNICATIONS

**Majority Report:** That Substitute Senate Bill No. 5948 be substituted therefor, and the substitute bill do pass.

Signed by Senators Schmidt, Chair; Esser, Vice Chair; Berkey, Eide, McCaslin, Poulsen and Stevens.

**Staff:** William Bridges (786-7424)

**Background:** In an effort to provide one-stop-shopping for customers, some telecommunications companies are "bundling" or packaging different services into one bill. Some of these services, such as residential local service for land-line customers, are not subject to the retail sales tax. But other services, such as long distance, are subject to the retail sales tax.

Under the federal Mobile Sourcing Act, wireless services that are nontaxable, when bundled with taxable services, remain nontaxable if the provider can reasonably identify the nontaxable charges from its regular business records. That is not the case for land-line services, however. Under the current law, when taxable and nontaxable land-line services are bundled, the entire package is generally taxable.

**Summary of Bill:** Telephone services that are not taxable continue to be nontaxable when bundled with taxable services if the provider can identify, using its books and records kept in the ordinary course of business, that portion of the charge attributable to the nontaxable services.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This is a consumer interest bill that will keep untaxable services untaxable. This bill does not change the current tax structure but only clarifies what is taxable in a bundled service. The industry is moving towards bundled services because consumers want the convenience of one-stop shopping.

**Testimony Against:** None.

**Testified:** Sen. Honeyford, prime sponsor; Cathy Brightwell, AT&T; Barb Young, Sprint.