

SENATE BILL REPORT

SB 6259

As Passed Senate, February 13, 2004

Title: An act relating to the taxation of internet services.

Brief Description: Extending the restriction on local government taxation of internet services.

Sponsors: Senators Schmidt, Poulsen, Esser, Prentice and Eide.

Brief History:

Committee Activity: Technology & Communications: 1/26/04, 1/29/04 [DP].

Passed Senate: 2/13/04, 47-1.

SENATE COMMITTEE ON TECHNOLOGY & COMMUNICATIONS

Majority Report: Do pass.

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

Staff: William Bridges (786-7424)

Background: Internet service providers, or ISPs, provide their customers access to the Internet. In 1997, the Legislature prohibited cities and towns from imposing any new taxes or fees on ISPs. The Legislature did permit, however, cities and towns to levy a business tax on ISPs if the rate did not exceed the rate applied to a general service classification.

The state prohibition on new ISP taxes was originally set to expire in July 1999, but it was extended in 2002 to July 1, 2004.

In 1998, Congress temporarily prohibited state and local governments from imposing any new taxes on Internet access or other multiple or discriminatory taxes on electronic commerce. The prohibition expired on November 1, 2003. The U.S. House and Senate are currently considering a permanent prohibition.

Summary of Bill: The prohibition on a city or town imposing any new taxes or fees on Internet service providers is extended to July 1, 2006.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This law was first enacted in 1997 because one major Washington city attempted to tax ISPs. The bill is necessary because the federal prohibition against taxes on ISPs expired in November 2003. This bill does not affect the taxation of e-commerce.

Testimony Against: None.

Testified: Gary Gardner, Comcast & Washington Assn. of Internet Service Providers.