

# SENATE BILL REPORT

## SB 6322

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As of January 29, 2014

**Title:** An act relating to providing telecommunications investment incentives.

**Brief Description:** Providing telecommunications investment incentives.

**Sponsors:** Senators Brown, Hewitt, Angel, Ericksen, Bailey, Honeyford, Dammeier, Braun, Becker and Parlette.

**Brief History:**

**Committee Activity:** Energy, Environment & Telecommunications: 1/28/14.

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### SENATE COMMITTEE ON ENERGY, ENVIRONMENT & TELECOMMUNICATIONS

**Staff:** William Bridges (786-7416)

**Background:** Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. The use tax is imposed on items used in the state, the acquisition of which was not subject to the sales tax. Sales and use taxes are imposed by the state, counties, and cities. There are a number of sales and use tax exemptions, including machinery and equipment directly used in manufacturing.

On April 24, 2013, the Senate Energy, Environment and Telecommunications Committee held a work session on the status of the wireless industry and wireless technology, which included the presentation of a report titled Assessment of the Economic Impact of Taxation on Communications Investment in the United States.

**Summary of Bill:** Creating a Sales and Use Tax Exemption for Telecommunications Equipment and Machinery. Sales and use taxes do not apply to sales or use of telecommunications machinery and equipment, or to sales or use of tangible personal property that becomes an ingredient or component of telecommunications machinery and equipment.

**Defining Terms.** Telecommunications machinery and equipment means machinery, equipment, and network software that is capable of directly sending, receiving, or storing voice or data communications; or used to enable, facilitate, maintain, or monitor a telecommunications network. The term includes such items as antennas, transmitters, wires, and routers.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Stating the Intent and Purpose of the Exemption. A tax preference statement is included which states that the purpose of the exemption is to create or retain jobs in the telecommunications industry. The Joint Legislative Audit and Review Committee (JLARC) must review the exemption based on annual reports filed by taxpayers using the exemption. If JLARC determines the number of jobs in the telecommunications industry in Washington has increased by 10 percent compared to the number of those jobs at the time of enactment, then the Legislature intends to extend the expiration date of the tax preference.

**Appropriation:** None.

**Fiscal Note:** Requested on January 22, 2014.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on August 1, 2014.

**Staff Summary of Public Testimony:** PRO: Washington is ranked as the fifth-worst state for doing business. Sales and use tax preferences work by creating jobs. Studies show that the manufacturers' sales and use tax exemption created 58,000 jobs and added \$27.5 billion in investments to the state from 1995 to 1999. Washington has the third-highest sales tax rate on telecommunication investments in the U.S. The current tax policy discriminates against telecommunication investments in Washington. By leveling the tax playing field for telecommunication companies, nearly 9000 jobs will be created, \$1.7 billion in new investments will be made, and over 100,000 new broadband connections will be added. Whether to purchase and locate telecommunications equipment in a particular state may depend upon the associated tax burden of that deployment. The sales and use tax exemption will encourage investments in Washington, and increase hiring by business and public sector employers. The fiscal note assumes the tax exemption would apply to household purchases, which is not the intent of the bill.

**Persons Testifying:** PRO: Senator Brown, prime sponsor; Jim Blundell, T-Mobile; Greg Diamond, tw telecom.