

***Finance Committee***

***HB 2031***

***Brief Description:*** *Limiting the taxation of pay phone services.*

***Sponsors:*** *Representatives Cairnes, Crouse, Poulsen, Morris, Reardon, Delvin and Barlean.*

***Brief Summary of Bill***

- *City business tax rates for pay phone services must not exceed the retailing rate.*

***Hearing Date:*** *2/20/01*

***Staff:*** *Bob Longman (786-7139).*

***Background:***

*Cities and towns may impose gross receipts taxes on businesses. Rates for utility businesses are generally much higher than rates for other businesses such as retailers. Utility rates cannot exceed 6 percent without voter approval. Rates for retailers cannot exceed 0.2 percent without voter approval. The rate of tax applicable to telephone services depends on whether the services are network telephone services or competitive telephone services. The higher utility tax rates apply to network telephone services. The lower retailer rates apply to competitive telephone services. Coin telephone services are expressly included in the statutory definition of network telephone service and are therefore subject to utility tax rates.*

***Summary of Bill:***

*If a city or town imposes gross receipts taxes on pay phone services, the tax must be at the same rate as applies to retailers. Pay phone service is defined as service provided on a fee-per-call basis, whether the telephone is coin-operated or is activated by calling collect or using a calling card.*

***Appropriation:*** *None.*

***Fiscal Note: Requested on February 13, 2001.***

***Effective Date: The bill takes effect on August 01, 2001.***