

SENATE BILL REPORT

SHB 2671

As Reported By Senate Committee On:
Energy, Technology & Telecommunications, February 24, 2000

Title: An act relating to tax information on customer billings.

Brief Description: Establishing procedures for handling tax billing errors.

Sponsors: House Committee on Finance (originally sponsored by Representatives Thomas, Dunshee and Fortunato).

Brief History:

Committee Activity: Energy, Technology & Telecommunications: 2/22/2000, 2/24/2000 [DPA].

SENATE COMMITTEE ON ENERGY, TECHNOLOGY & TELECOMMUNICATIONS

Majority Report: Do pass as amended.

Signed by Senators Brown, Chair; Goings, Vice Chair; Fairley and Fraser.

Staff: William Bridges (786-7424)

Background: *Light & Power and Gas Businesses.* Light and power or gas businesses, that serve more than 20,000 customers, must show on their customers' bills the rate and amount of any tax that is levied on customers (e.g., sales tax). If the businesses add a component to their bills for any tax levied on the revenue of a business (e.g., utility tax), then the business must also show the rate, origin, and approximate amount of the tax on customers' bills. However, state business and occupation (B&O) taxes, privilege taxes paid by public utility districts (PUDs), and regulatory fees paid to the Washington Utility and Transportation Commission (WUTC) are not required to be shown on customers' bills.

Telephone and Cable TV Businesses. Telephone or cable television businesses, like all businesses in the state, must list sales taxes separately from the selling price in any sales invoice or billing.

Erroneous Billing of Taxes. If customers believe that an amount of tax has been erroneously added as a component to a bill, they may ask the business to provide a refund or credit. For example, if persons who live in unincorporated areas are erroneously charged a city utility tax, then the persons may notify the business that they do not live in the city and request a refund. There are no specific statutory requirements, however, governing how quickly a utility business must respond to a customer's notice, nor are there any specific penalties imposed for failure to respond.

Summary of Bill: *Light & Power and Gas Businesses.* Light and power or gas businesses, that serve more than 20,000 customers, must show on their customers' bills the rate and amount of any tax that is levied on customers (e.g., sales tax). If the businesses add a

component to their bills for any tax levied on a business (e.g., utility tax), then the businesses must also show the rate, origin, and amount of the tax on customers' bills. Previously, only taxes levied *on the revenue* of the business were required to be shown. In addition, businesses were required to list the *approximate amount* of taxes levied on the businesses. The exceptions for state B&O taxes, privilege taxes paid by PUDs, and regulatory fees paid to the WUTC remain.

Telephone and Cable TV Business. Telephone and cable television businesses, with more than 20,000 customers, must follow the same requirements imposed on light and power and gas businesses for showing taxes on their customers' bills, except that telephone companies are required to show the origin and amount of taxes on customers' bills, not the rate of taxes.

Erroneous Billing of Taxes. Businesses must establish their own procedures and remedies for resolving billing disputes concerning taxes. Businesses shall make reasonable efforts to accurately determine the location of customers for the purposes of billing taxes.

Consumer Protection Act. It is a Consumer Protection Act violation if a light and power, gas, cable television, or telephone business engages in a willful pattern of violations of its billing procedures or duties.

Cities and Towns. Cities and towns must notify gas, light and power, cable television, and telephone businesses of any annexations at least 60 days before the annexations take effect.

If a light and power, gas, cable television, or telephone business requests assistance, a city or town must provide the business with copies of any maps, street addresses, geographical information system (GIS) data bases, or other information that would assist the business in identifying its customers whose addresses are located within the city or town. Cities are not required, however, to provide any information that is exempt from disclosure under the Public Records Act, such as personal or proprietary information about a person or business at a particular address. Also, light and power, gas, cable television, or telephone businesses cannot use any information provided by a city or town for commercial purposes.

Amended Bill Compared to Substitute Bill: A telecommunications business must show the origin and amount of each tax levied upon the business if the taxes are added as a component of the customers' bills. Other businesses must still show the rate, origin, and amount of such taxes. The statutory procedure and remedies for resolving billing disputes are removed. Businesses are now required to establish their own procedures and remedies for resolving such disputes. Businesses shall make reasonable efforts to accurately determine the location of customers for the purposes of billing taxes. Cities must still provide information to businesses to assist in determining the location of customers. Customers may still sue a business under the Consumer Protection Act for a pattern of willful violations.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed; however, the requirement to specify the rate of taxes on customers' bills does not take effect until January 1, 2001.

Testimony For: This bill prevents taxation without representation. Wireless customers and others are being taxed for city and special district taxes even when they live outside those cities or special districts. This problem usually arises because businesses rely on zip codes to identify where customers live, not the boundaries of taxing districts. The bill should contain an amendment recognizing that clerical errors are not violations under the Consumer Protection Act. The bill should contain an amendment that requires telecommunications companies to only list the origin and amount of taxes, not the rate of taxes. This is because the calculation of tax rates for telecommunications companies are too complicated to explain to customers.

Testimony Against: While not disagreeing with the spirit of the bill, it should be noted that businesses rely on taxing information supplied by cities.

Testified: Rep. Brian Thomas, prime sponsor; Bruce Shaul, Sprint (pro w/amend.); Bill Garvin, MCI (con); Rosemary Williamson, GTE (concern).