

HOUSE BILL REPORT

HB 2055

As Reported by House Committee On:
Technology, Telecommunications & Energy
Finance

Title: An act relating to bundled telecommunications services.

Brief Description: Modifying the taxation of bundled telecommunications services.

Sponsors: Representatives Morris, Crouse and Bush.

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/23/04, 1/28/04 [DPS];
Finance: 2/6/04 [DPS(TTE)].

Brief Summary of Substitute Bill

- Provides that bundled telephone services that include both taxed and untaxed services may be taxed only on the taxable services (rather than the entire bundle) if the telephone company can identify the charges for each service using its regular business records.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Morris, Chair; Ruderman, Vice Chair; Crouse, Ranking Minority Member; Nixon, Assistant Ranking Minority Member; Anderson, Blake, Bush, Delvin, Hudgins, Kirby, McMahan, McMorris, Romero, Tom and Wallace.

Staff: Pam Madson (786-7166).

Background:

In an effort to provide one-stop-shopping for customers, some telecommunications companies are "bundling" or packaging different services into one bill at a set price. 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 using 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 Substitute 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.

Substitute Bill Compared to Original Bill:

The substitute bill corrects the placement of this provision by removing it from the retail sales tax exemption statute and placing it with provisions that deal with the general administration of the tax.

Appropriation: None.

Fiscal Note: Requested on January 23, 2004.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Telecommunications companies offer a number of services such as local telephone service, long distance service, and wireless service. Today services are packaged together with each service charged individually. The industry is moving toward a bundling of different services for one price. Customers seem to like that approach. They like one-stop service. This bill outlines how the components would be treated as part of the bundle.

Testimony Against: None.

Persons Testifying: Barb Young, Sprint; and Steve Worley, MCI.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill by Committee on Technology, Telecommunications & Energy be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Conway, Morris, Roach and Santos.

Staff: Bob Longman (786-7139).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Technology, Telecommunications & Energy:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Although this is a 94 word one-sentence bill, the meaning has been explained.

Testimony Against: None.

Persons Testifying: (In support) Representative Morris, prime sponsor; Barb Young, Sprint; and Steve Weharly, MCI.

Persons Signed In To Testify But Not Testifying: None.