

TELEPHONE TAXES
RCWs 82.14B.030, 80.36.430, and 43.20A.725

Tax Base Telephone access lines (both switched and radio access lines).

Tax Rate

- State - Enhanced 911 Tax: up to 20 cents per month for each switched and radio access line (RCW 82.14B.030(3 & 4)). The State Enhanced 911 Coordinator recommends the tax rate for switched lines to the Utilities and Transportation Commission, and the Commission formally determines the rate for the following year.
- Telephone assistance tax (WTAP tax): rate of up to 14 cents per month for each switched telephone line (RCW 80.36.430). The actual rate is determined annually by the Department of Revenue, based on the DSHS budget for this program.
 - Telecommunications relay service tax (TRS tax): rate of up to 19 cents per month for each switched telephone line (RCW 43.20A.725(5)). The rate of this tax is computed annually by the Department of Revenue, based on budgetary information submitted by the DSHS Office of Deaf and Hard of Hearing. The current rate is 9 cents per switched telephone line.
- Counties - County enhanced 911 tax: up to 50 cents per month for each switched and radio access line, RCW 82.14B.030(1 & 2).

Current Maximum State/Local Tax Rates:

Switched lines = 93 cents per month
Radio access (wireless) lines = 70 cents per month

Levied by State and counties

Administration

These taxes are collected by telephone companies from the customer; the amount of the tax is separately stated on billings to the customer. The state tax receipts, after deduction of the company's collection costs, are reported on the state Combined Excise Tax Return and are remitted to the Department of Revenue. Chapter 82.72 RCW provides administrative authority for the WTAP and TRS excise taxes previously collected by DSHS.

Counties are responsible for administering the county 911 tax via local ordinance, and the tax is paid directly to the County Treasurer by the telephone companies.

Distribution of Receipts

State enhanced 911 tax (both switched and wireless): Proceeds go to the enhanced 911 account per RCW 38.52.540 and are used to fund the state 911 program and to assist counties in implementing enhanced 911 telephone services.

Telephone assistance tax (WTAP tax): Receipts are deposited in the telephone assistance fund which is administered by DSHS to provide financial assistance for local exchange services to needy families that utilize various DSHS services (see RCW 80.36.410 - 475). Up to 8 percent of the receipts go to the Department of Community, Trade and Economic Development for costs of providing community service voice mail services.

Telecommunications relay service tax (TRS tax): Proceeds are used by the DSHS Office of Deaf and Hard of Hearing to provide telecommunications equipment and services to persons with a hearing or speech impairment.

County enhanced 911 tax: Local funds are used to finance the county emergency services communication system.

Exemptions

- federal and foreign governments.
- enrolled members of Indian tribes.
- any activity which the state or counties are prohibited from taxing under the state constitution or the constitution or laws of the U.S.

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>STATE ENHANCED 911 TAX</u>		
	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2006	\$17,486	4.9%	0.1%
2005	16,677	3.5	0.1
2004	16,115	58.4	0.1
2003	10,172	18.3	0.1
2002	8,595	(6.4)	0.1
2001	9,187	(4.2)	0.1
2000	9,588	15.3	0.1
1999	8,313	(2.7)	0.1
1998	8,544	(18.5)	0.1
1997	10,489	47.4	0.1

STATE TELEPHONE ASSISTANCE TAX (WTAP)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2006	\$5,605	11.5%	0.0%
2005	5,026	(9.1)	0.0
2004	5,529	4.0	0.0
2003	5,318	(3.9)	0.0
2002	5,490	(4.7)	0.0
2001	5,762	(0.3)	0.0
2000	5,778	5.4	0.0
1999	5,484	1.9	0.0
1998	5,384	7.3	0.0

STATE TELECOMMUNICATIONS RELAY SERVICE TAX (TRS)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2006	\$4,171	(22.9)	0.0%
2005	5,413	(9.5)	0.0
2004	5,980	4.0	0.0
2003	5,749	(3.5)	0.0
2002	5,957	(9.1)	0.1
2001	6,551	(1.2)	0.1
2000	6,633	-.-	0.1

According to data reported by counties to the State Auditor via the Local Government Financial Reporting System, counties collected a total of \$34.6 million in county 911 telephone taxes during calendar year 2005. Twenty-seven counties reported a total of \$18.7 million from the county 911 tax on switched lines, and 23 counties reported a total of \$15.9 million from wireless lines.

History

The original county tax on switched telephone lines was authorized in 1981; the tax had to be imposed on a countywide basis. In 1987, the county legislative authority was permitted to levy the tax on behalf of an emergency service communication district which could serve an area less than countywide. The state enhanced 911 excise tax was approved by the voters in 1991 (Referendum 42); the tax was first effective on January 1, 1992. The state rate has always been the maximum 20 cents per switched line to ensure funding for the implementation of an enhanced 911 telephone system on a statewide basis. The county tax on wireless lines was authorized by the Legislature in 1994 at a maximum rate of 25 cents per line. In 2002, the state tax was extended to wireless telephones and the maximum rate of

the county tax on wireless lines was increased to 50 cents. Also, in 2002 responsibility for collecting the state enhanced 911 telephone tax was transferred from the State Military Department to the Department of Revenue.

The TRS tax which funds telephone services for persons with hearing difficulties was established in 1987 at a maximum rate of 10 cents per switched line. The WTAP tax that funds telecommunication services for low-income households was also adopted in 1987 at a maximum rate of 16 cents per switched line. Both taxes were administered by the Department of Social and Health Services through the end of Fiscal Year 2004; responsibility for collecting these taxes was transferred to the Department of Revenue effective July 1, 2004.

Discussion/Major Issues

Approximately 90 wireline companies report the 911 and the line taxes. Approximately 50 wireless companies report 911 tax.

These revenue sources fund the acquisition and operation of "911" emergency systems, as well as telecommunication services for individuals who are hard of hearing and certain low-income households. Legislation adopted in 1992 mandated statewide implementation of "enhanced" 911 emergency communications (systems which recognize the telephone number and location of the caller) by December 31, 1998.