

FINAL BILL REPORT

SHB 2541

C 22 L 94
Synopsis as Enacted

Brief Description: Clarifying the tax on newspapers, periodicals and magazines.

By House Committee on Revenue (originally sponsored by Representatives Cothorn, Brown, Foreman, Romero, Brough, J. Kohl, Van Luven, Rust and Talcott; by request of Department of Revenue).

House Committee on Revenue
Senate Committee on Ways & Means

Background: Washington's major business tax is the Business and Occupation (B&O) tax. This tax is imposed on the gross receipts received by a business. Although there are several different B&O tax rates, the rates for most businesses range from 0.471 percent to 2.5 percent.

Newspaper publishers pay B&O tax at a rate of 0.515 percent of gross income. Publishers of periodicals other than newspapers pay B&O tax at a rate of 2.13 percent of gross income.

Before July 1993, the tax statutes did not define "newspaper." Rules of the Department of Revenue required, among other things, that newspapers be issued regularly at stated intervals of at least once every two weeks, be formed of printed paper sheets without substantial binding and be of general interest, containing information of current events. A series of U.S. Supreme Court decisions suggested that content-based distinctions for tax purposes are probably unconstitutional.

In 1993, the Legislature enacted a statutory definition of newspapers for tax purposes. The new definition requires that newspapers be issued regularly at stated intervals at least once per week. The definition also requires newspapers to be printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind. The definition does not refer to the content of the publication. As a result of these changes, the B&O tax rate for some publishers increased from 0.515 percent to 2.13 percent.

Summary: The bill changes the frequency of publication requirement in the excise tax definition of "newspaper." Newspapers must be published at least twice per month, rather than once per week. As a result, more publishers will be eligible for a lower B&O tax rate.

Votes on Final Passage:

House	94	0
Senate	46	0

Effective: June 9, 1994