

HOUSE BILL REPORT

HB 2541

As Reported By House Committee On:
Revenue

Title: An act relating to defining newspapers for tax purposes.

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

Sponsors: Representatives Cothern, Brown, Foreman, Romero, Brough, J. Kohl, Van Luven, Rust and Talcott; by request of Department of Revenue.

Brief History:

Reported by House Committee on:
Revenue, January 28, 1994, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Cothern; Leonard; Romero; Rust; Silver; Talcott; Thibaudeau; Van Luven; and Wang.

Staff: Bob Longman (786-7139).

Background: Sales of newspapers are exempt from retail sales taxes. Before July 1993, the exemption statute 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.

As part of the 1993 omnibus tax legislation, the Legislature enacted a statutory definition of newspapers for tax purposes as those that are issued regularly at stated intervals at least once a week and 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.

Before July 1993, publishers of newspapers, magazines and periodicals were eligible for a special B&O rate of 0.484 percent. As part of the 1993 omnibus tax legislation, the Legislature restricted this special rate to newspaper publishers. As a result, several other types of publishers were reclassified at the services rate of 2.13 percent. The rate for newspaper publishers was raised to 0.515 percent.

Summary of Substitute Bill: The definition of "newspaper" for excise tax purposes is changed to include those issued at least twice per month.

Substitute Bill Compared to Original Bill: The original bill also changed the B&O rate for publishers of magazines and periodicals. The substitute bill does not include this change.

Fiscal Note: Requested January 21, 1994.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed. The bill applies retroactively to July 1, 1993.

Testimony For: The large tax rate increase on certain newspapers was not intended when language was adopted last year to clarify the definition of newspapers. The bill ensures that competitors in the newspaper business pay the same tax rate.

Testimony Against: None.

Witnesses: Representative Barbara Cothorn, Prime Sponsor; Len McComb, Director, Department of Revenue; Becky Bogard, State Advertising Coalition; Mimi Kirsch, Paradigm; Richard Wolfer, Media Index Publisher; and Norman Thorpe, Journal of Business and Northwest Business Press, Inc.