

SENATE BILL REPORT

SHB 2235

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1994

**Brief Description:** Clarifying the business and occupation tax on periodicals and magazines.

**SPONSORS:** House Committee on Revenue (originally sponsored by Representatives Cothorn, Foreman, Thibaudeau, J. Kohl, L. Johnson, Ogden, Rust, Chappell, Van Luven, Brough, Brown and Cooke)

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, Snyder, Spanel, West, Williams and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** March 2, 1994

**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 newspaper for tax purposes as that which is issued regularly at stated intervals of 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 change in the newspaper definition, legislation enacted in 1993 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:**

The B&O tax rate for publishers of periodicals or magazines is reduced from 2.13 percent to 0.515 percent. "Periodical or magazine" is defined as a printed publication, other than a newspaper, issued regularly at stated intervals at least once every three months, including any supplement or special edition of the publication.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**Effective Date:** The bill is effective retroactively to July 1, 1993.

**TESTIMONY FOR:**

This corrects a mistake made in the 1993 session.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Cothorn, original prime sponsor (pro)