

SENATE BILL REPORT

SHB 2541

AS PASSED SENATE, MARCH 1, 1994

Brief Description: Clarifying the business and occupation tax on newspapers.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Cothern, 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

Majority Report: Do pass.

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

Staff: Terry Wilson (786-7715)

Hearing Dates: February 22, 1994; February 23, 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 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:

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

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill applies retroactively to July 1, 1993.

TESTIMONY FOR:

This was an inadvertent change and results in a disadvantage to biweekly newspapers that compete against weekly newspapers.

TESTIMONY AGAINST: None

TESTIFIED: Representative Cothorn, prime sponsor (pro); Norman Thorpe, Spokane Journal of Business (pro); Russ Brubaker, Dept. of Revenue (pro)