

# SENATE BILL REPORT

## SHB 2585

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As Reported By Senate Committee On:  
Ways & Means, March 10, 2008

**Title:** An act relating to the business and occupation taxation of newspaper-labeled supplements.

**Brief Description:** Concerning the business and occupation taxation of newspaper-labeled supplements.

**Sponsors:** House Committee on Finance (originally sponsored by Representatives McIntire and Kessler).

**Brief History:** Passed House: 2/18/08, 89-5.

**Committee Activity:** Ways & Means: 3/10/08 [DPA]

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Roach, Rockefeller and Schoesler.

**Staff:** Dean Carlson (786-7305)

**Background:** Publishers of newspapers, magazines, and periodicals are subject to the business and occupation (B&O) tax classification of printing and publishing that is taxed at the rate of 0.484 percent. The tax applies to the gross receipts of the business, including subscription sales, newsstand sales, advertising income, and other income.

Businesses who both print and publish such items as books, music, circulars etc... are also taxed under the printing and publishing classification of the B&O tax. However, businesses other than publishers of newspapers, magazines, or periodicals, who publish such things, but do not print them, are taxable under either the wholesaling or retailing classification of the B&O tax. For these businesses any advertising income is taxed at the 1.5 percent service rate.

In recent years, newspapers have begun to post materials from their hard-copy editions on the Internet. Income derived from this activity does not constitute printing or publishing. Thus, advertising income received by newspapers for their web-based materials is subject to B&O tax under the service classification at a rate of 1.5 percent.

**Summary of Bill (Recommended Amendments):** The definition of newspaper is changed so that the preferential tax rate for printing and publishing of newspapers may apply to an

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electronic version of the newspaper, but only if the electronic version shares content with the printed newspaper and is prominently identified as being associated with the printer newspaper. This will allow for the rate for advertising on the Internet to be reduced from 1.5 percent to 0.484 percent.

Printed inserts or attachments to a newspaper are eligible for the preferential tax rate, but only if they are distributed in the same geographic areas as the newspaper.

The definition change for a "newspaper" takes effect beginning July 1, 2008. It reverts back to the current definition on June 30, 2011.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments):** The definition change of a newspaper is effective from July 1, 2008 through June 30, 2011.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (on companion SB 6219):** PRO: Content cannot be the basis for tax differences. We use the same sort of equipment for the newspaper advertising and the Internet advertising, so it is difficult to make a determination of which income is taxed at what rate. We feel the fiscal note is over stated.

OTHER: We have an issue with the broadness of the language. We would like to work to resolve the language problem, and we will take a second look at the fiscal note.

**Persons Testifying (on companion SB 6219):** PRO: Roland Thompson, Allied Daily Newspapers.

OTHER: Gil Brewer, Department of Revenue.