HOUSE BILL REPORT
SSB 5534

As Reported by House Committee On:
Ways & Means

Title: An act relating to the business and occupation taxation of newspapers.

Brief Description: Concerning the business and occupation taxation of newspapers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Murray, Zarelli and Kohl-Welles).

Brief History:
Committee Activity:
Ways & Means: 5/11/11, 5/23/11 [DPA].

Brief Summary of Substitute Bill
(As Amended by House)

- Extends a preferential business and occupation tax rate to revenue derived from the online portion of a newspaper business.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended. Signed by 25 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Minority Report: Without recommendation. Signed by 1 member: Representative Hasegawa, Vice Chair.

Staff: Jeffrey Mitchell (786-7139).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The printing and publishing of newspapers is subject to the state business and occupation (B&O) tax at a rate of 0.2904 percent. (The Legislature, in 2009, lowered the tax rate from 0.484 percent to 0.2904 percent, effective July 1, 2009.) The tax applies to the gross receipts of the business, including subscription sales, newsstand sales, advertising income, and other income. In recent years newspapers have begun to post materials from their hard-copy editions to the Internet. Until July 1, 2008, income derived from this activity did not constitute printing or publishing. Thus, advertising income received by newspapers for their web-based materials was subject to B&O tax under the service classification at a rate of 1.5 percent—currently the rate is 1.8 percent until July 1, 2013.

In 2008 the Legislature amended the definition of a newspaper for B&O tax purposes to include any newspaper-labeled supplement and the Internet-based version of printed newspapers. As a result, income from publishing newspaper supplements and advertising income related to Internet-based newspaper material is subject to the 0.2904 percent printing and publishing newspaper tax rate, instead of the 1.8 percent service rate. However, the reduced tax rate is only applicable for a three-year period, from July 1, 2008, until June 30, 2011.

Summary of Amended Bill:

The preferential rate for online newspaper revenue is extended. Therefore, the same rate will continue to apply to both online and traditional publishing revenue.

The preferential B&O tax rate for printing a newspaper, publishing a newspaper, or both, is increased from 0.2904 percent to 0.365 percent until June 30, 2013, and 0.35 percent thereafter.

The act is expired on July 1, 2021. Therefore, the 0.2904 tax rate would be restored for traditional publishing while online revenue would be subject to a 1.5 percent tax rate.

Amended Bill Compared to Substitute Bill:

The act is expired on July 1, 2021.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect on July 1, 2011.

Staff Summary of Public Testimony:

(In support) Newspapers currently have a blended rate. This is something the Legislature has historically done. This is an attempt to make it easier to pay taxes, especially for smaller businesses. Newspapers sell advertising in bulk—it is sold for the online and the print version at the same time. It is difficult to tease out the revenue streams associated with each. Many advertisers are reluctant to advertise on the Internet because they do not see a benefit from it. The reason we have a 5.1 percent rate is because right now online revenue accounts for about 2-3 percent of revenue with little growth but we are willing to buy into it. The primary driver behind this bill is tax clarity for publishers. It is essential that we have clarity in the way we pay taxes. A blended, comprehensive rate is a good solution.

(Other) We would like this tax preference to be tied to the requirement for cities and counties to use newspapers for legal notices to reduce costs. It is an unregulated monopoly.

(Opposed) None.

Persons Testifying: (In support) Rowland Thompson, Allied Daily Newspapers of Washington; and Bill Will, Washington Newspaper Publishers Association.

(Other) Scott Merriman, Association of Counties.

Persons Signed In To Testify But Not Testifying: None.