

SENATE BILL REPORT

SB 5534

As Reported by Senate Committee On:
Ways & Means, April 15, 2011

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

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

Sponsors: Senators Murray, Zarelli and Kohl-Welles.

Brief History:

Committee Activity: Ways & Means: 2/10/11, 4/15/11 [DPS, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5534 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Brown, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pridemore, Regala, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Rockefeller.

Staff: Dean Carlson (786-7305)

Background: 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 newspaper for B&O tax purposes to include any newspaper-labeled supplement and the Internet-based version of printed

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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 Bill (Recommended Substitute): The definition of a newspaper is amended to permanently include the Internet version of printed newspapers and newspaper supplements. The effect of this is to continue to tax advertising revenue from the online versions of newspapers and newspaper supplements at the same rate as the traditional newspaper.

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

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The substitute increases the rate of B&O tax applied to newspapers to 0.365 percent until June 30, 2013, and 0.35 percent thereafter.

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 Original Bill: PRO: This is an attempt to get a blended rate for newspapers. Our revenue stream from our online activities is about 2.5 percent. The 0.3 percent figure is a placeholder until we can calculate at rate that will be as close to revenue neutral as possible. We want to get to a place where we do not have to separate our revenues when we are selling in a bundled fashion for advertising. The reason there is a sunset on the definition is because there was concerns of problems with the Internet Tax Freedom Act.

OTHER: We are looking for help regarding the cost of all the legal notices we have to publish in newspapers. Twenty-five of the 39 counties spent over \$1.52 million on publishing legal notices in newspapers.

Persons Testifying: PRO: Roland Thompson, Allied Daily Newspapers.

OTHER: Scott Merriman, Association of Washington Counties.