

SENATE BILL REPORT

SSB 5534

As Reported by Senate Committee On:
Ways & Means, February 23, 2012

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: 2/10/11, 4/15/11 [DPS, w/oRec]; 1/25/12, 2/23/12 [DP2S].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5534 be substituted therefor, and the second 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, Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Padden, Pridemore, Regala, Schoesler and Tom.

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 newspapers. As a result, income from publishing newspaper supplements and advertising

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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 was only applicable for a three-year period, from July 1, 2008, until June 30, 2011.

Summary of Bill (Recommended Second 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 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 Second Substitute): The effective date was changed to July 1, 2012.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2012.

Staff Summary of Public Testimony on Substitute Bill: PRO: This is an attempt to buy a blended rate. We sell advertising in both versions of the newspaper, and we find it very difficult to figure out which revenue goes to the online version and which goes to the hard copy version. We are trying to save ourselves from accounting problems and auditing problems. This is not a tax preference. The bookkeeper has to figure out how much of the revenue is dedicated to online and how much is for the print addition. It is a dilemma to figure this out enough to satisfy the Department of Revenue. This is a small amount of revenue for a tremendous amount of bookkeeping.

Persons Testifying: PRO: Roland Thompson, Allied Daily Newspapers; Bill Will, WA Newspaper Publishers Assn.