

SENATE BILL REPORT

SB 6201

As of January 24, 2012

Title: An act relating to the business and occupation taxation of newspapers and local interest web sites.

Brief Description: Concerning the business and occupation taxation of newspapers and local interest web sites.

Sponsors: Senator Nelson.

Brief History:

Committee Activity: Ways & Means: 1/25/12.

SENATE COMMITTEE ON WAYS & MEANS

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. In 2009 the Legislature 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. This rate is also the rate used for other types of businesses that receive advertising revenue on the Internet.

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 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: 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

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tax advertising revenue from the online versions of newspapers and newspaper supplements at the same rate as the traditional newspaper.

A definition for local interest website is provided to mean an internet website that is normally updated more than once a day and which is substantially dedicated to local interests tailored to a general circulation area of a county or smaller.

The B&O tax rate for printing and publishing a newspaper, or both, and for local interest websites, is set at 0.403 percent until June 30, 2013, and 0.383 percent thereafter.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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