
Finance Committee

HB 2002

Brief Description: Making a technical correction in Engrossed Substitute Senate Bill No. 6057 from 2015 to provide that the business and occupation tax rate for newspapers takes effect as of July 1, 2015.

Sponsors: Representative Nealey.

Brief Summary of Bill

- Changes the effective date of last extension of the definition of "newspaper," which taxes the electronic version and the physical version at the same value.

Hearing Date: 2/21/17

Staff: Tracey O'Brien (786-7152).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss. A business may have more than one B&O tax rate, depending on the types of activities conducted. Major tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services, and activities not classified elsewhere. Several lower rates also apply to specific business activities.

Concerning the Definition of Newspaper for Tax Purposes.

The Legislature temporarily revised the definition of "newspaper" to include electronic versions of newspapers on several occasions. As a result, both the online version of the newspaper and the physical version of a newspaper are taxed at the B&O rate of 0.35 percent. The definition was set to expire July 1, 2015; however, during the 2015 Legislative session, the definition and

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accompanying B&O rate were extended until July 1, 2024. The relevant section of the act was not effective until September 1, 2015. As a result, the definition of newspaper did not include the electronic version, and the rate of 0.35 percent did not apply for the first two months of the 15-17 biennium.

If the electronic version of the newspaper is not included in the definition of a newspaper, the B&O tax will apply to the electronic version based on the revenue generating activity. For the advertising revenues the rate of 1.5 percent would apply, and for subscription sales the rate of .471 percent would apply. The physical version of the newspaper would be taxed at a B&O rate of 0.2904 percent.

Summary of Bill:

The effective date for the definition of "newspaper," which includes the online version, and the B&O rate 0.35 percent is changed from September 1, 2015 to July 1, 2015. This is remedial and retroactive to July 1, 2015; therefore covering the two-month definition and rate gap.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.