

SENATE BILL REPORT

SB 5541

As of January 20, 2022

Title: An act relating to exempting newspapers from business and occupation tax.

Brief Description: Exempting newspapers from business and occupation tax.

Sponsors: Senators Mullet, Gildon, Keiser, Lias and Lovick.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/20/22.

Brief Summary of Bill

- Exempts newspapers from having to pay the business and occupation tax.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Clinton McCarthy (786-7319)

Background: In 2008 and again in 2012, the Legislature temporarily revised the definition of newspaper to include electronic versions of newspapers. The effect of this is that both the online version of a newspaper and the physical version of a newspaper are taxed at the business & occupation (B&O) rate of 0.35 percent until July 1, 2015. If the electronic version of a 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 advertising revenues the rate of 1.5 percent would apply, and for subscription sales the rate of 0.471 percent would apply. In 2015, the Legislature clarified that the electronic version of a newspaper is a supplement to the printed newspaper, which creates a blended rate for the reporting of B&O taxes for newspapers.

Under current statute, businesses that print or publish newspapers are subject to a 0.35 percent B&O tax. These businesses have to file a complete annual tax performance report

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with the Department of Revenue. This tax preference is set to expire July 1, 2024.

Summary of Bill: The B&O tax does not apply to any person engaging within the state of Washington in the business of printing a newspaper, publishing a newspaper, or both.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2022.

Staff Summary of Public Testimony: PRO: The JLARC tax review came out this year, and it appears that we are on the right track by lowering the B&O tax for newspapers. However, lots of newspapers have closed down and we need to be more aggressive. Some newspapers have shut down, some are online only, some newspapers have changed to a subscription model. Losses at newspapers are staggering. Subsidies are needed to maintain the level of service. The McClatchey Organization went into bankruptcy and has been purchased by another company, which affects four daily newspapers across the state. When considering legislation that requires legal notice, these funds are incredibly valuable for newspapers. A lot of businesses cannot afford to advertise during the pandemic, which is hurting the industry as well.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Rowland Thompson, Allied Daily Newspapers of Washington.

Persons Signed In To Testify But Not Testifying: No one.