

HOUSE BILL REPORT

E2SSB 5199

As Reported by House Committee On:
Finance

Title: An act relating to tax relief for newspaper publishers.

Brief Description: Providing tax relief for newspaper publishers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Mullet, Conway, Dozier, Holy, Keiser, Lovelett, Nguyen, Shewmake and Valdez; by request of Attorney General).

Brief History:

Committee Activity:

Finance: 4/14/23 [DP].

Brief Summary of Engrossed Second Substitute Bill

- Replaces the current preferential business and occupation (B&O) tax rate of 0.35 percent for newspapers with a 10-year B&O tax exemption.
- Provides a 10-year B&O tax exemption for eligible digital content.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Stokesbary, Thai, Walen and Wylie.

Minority Report: Without recommendation. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

Staff: Kristina King (786-7190).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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 taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for businesses with taxable income of less than \$1 million or 1.75 percent for businesses with taxable income of \$1 million or more, for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Business and Occupation Tax Preference for Newspapers.

The tax preference for newspaper printers and publishers was enacted in 2009. Qualifying newspaper printers and publishers receive a reduced B&O tax rate of 0.35 percent compared to the standard rate of 0.484 percent. In 2015, the preference was extended and is set to expire July 1, 2024.

The term "newspaper" is defined as:

- a publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper; and
- an electronic version of a printed newspaper that shares content with the printed newspaper; and is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Beginning on January 1, 2024, the preferential B&O tax rate for newspaper printers and publishers of 0.35 percent is removed and a B&O tax exemption is created for all amounts received from activities related to printing or publishing a newspaper. The exemption is

extended to publishing eligible digital content for taxpayers who reported under the B&O printing and publishing tax classification for the tax reporting period that covers January 1, 2008, for a printed version of a publication.

The term "eligible digital content" is defined as a publication that:

- is published at regularly stated intervals of at least once per month;
- features written content, the largest category of which, determined by word count, contains material that identifies the author or the original source of the materials; and
- is made available to readers exclusively in an electronic format.

In cases where a publisher charges a single, non-variable amount to advertise in, subscribe to, or access content in both a printed and electronic publication, the entire amount of the charge is exempt. The exemption applies only to persons primarily engaged in printing a newspaper, publishing a newspaper, or publishing eligible digital content, or any combination of these activities.

The B&O tax exemption expires January 1, 2034. A TPPS is included that states a specific public policy objective of protecting and supporting local journalism. The JLARC is required to review the B&O tax exemption. If the review finds that exemption accomplishes its goal of supporting local journalism across the state, measured by retaining 75 percent of journalism jobs, local newspapers, and community focused online news outlets based in Washington as of December 31, 2022, or if a review finds the tax exemption enables locally based journalism outlets to continue to exist when compared to states that did not provide similar tax incentives, then a legislative presumption is created that the 2034 expiration date should be extended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony:

(In support) This bill is important because it will reduce economic pressures on local journalism which plays a vital role in democracy by providing citizens information and encourages civic engagement, public health awareness, and corporate accountability. It also strengthens local communities. There are rural and remote communities that would receive no coverage if local newspapers no longer exist. The price to the state for eliminating this tax is worth it. Newspapers have been in decline, particularly between 2003 and 2009, which coincided with large reductions in overall newspaper staffing prompted by the recession and major challenges in the news industry. This bill was heard in this committee before, although it is different because it provides an exemption. This bill is not going to be

a panacea for the newspaper industry, but it is going to help by preserving existing newspaper printers and publishers. It is the responsibility of government to provide supportive conditions under which credible local journalism can exist.

(Opposed) All session, Washingtonians have seen the average middle class person receive nothing from the Legislature. This bill gives handouts. Legislators are there to make hard decisions and to represent their constituents not to push their own self-interested party agendas.

Persons Testifying: (In support) Rowland Thompson, Allied Daily Newspapers of Washington and Washington Newspaper Publishers Association; Ben Campbell, The Columbian; Rudi Alcott, Herald Media and Sound Publishing, Inc.; Andrew Villeneuve, Northwest Progressive Institute; Frank DeVaul, DeVaul Publishing Inc.; Chad Taylor, CT Publishing; Lunell Haught, League of Women Voters Washington; and Rory Paine-Donovan, Attorney General's Office.

(Opposed) Jeff Pack, Washington Citizens Against Unfair Taxes.

Persons Signed In To Testify But Not Testifying: None.