

# SENATE BILL REPORT

## SB 5199

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As Reported by Senate Committee On:  
Business, Financial Services, Gaming & Trade, January 26, 2023

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

**Brief Description:** Providing tax relief for newspaper publishers.

**Sponsors:** Senators Mullet, Conway, Dozier, Holy, Keiser, Lovelett, Nguyen, Shewmake and Valdez; by request of Attorney General.

**Brief History:**

**Committee Activity:** Business, Financial Services, Gaming & Trade: 1/12/23, 1/26/23 [DPS-WM, w/oRec].

**Brief Summary of First Substitute Bill**

- Replaces the current preferential business & occupation (B&O) tax rate of 0.035 percent for newspapers with a B&O tax deduction for business activity engaging in newspaper publishing or certain digital content.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

**Majority Report:** That Substitute Senate Bill No. 5199 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Boehnke, Hasegawa, Lovick, MacEwen and Mullet.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Gildon.

**Staff:** Clinton McCarthy (786-7319)

**Background:** Business and Occupation Tax. Washington's major business tax is the

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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 services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Business and Occupation Tax Preference for Newspapers. 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 were taxed at the B&O rate of 0.35 percent until July 1, 2015. 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 reporting B&O taxes for newspapers. The B&O rate of 0.35 percent was extended through July 1, 2024. After this date the rate will be increased to 0.484 percent.

These businesses have to file a complete annual tax performance report with the Department of Revenue. The current tax preference is set to expire July 1, 2024.

**Summary of Bill (First Substitute):** The preferential B&O tax rate of 0.35 percent for publishing newspapers is repealed. Beginning January 1, 2024, businesses may deduct activities related to printing or publishing a newspaper, or have claimed the preferential rate since 2008 and are publishing online. A business claiming this preference must include the deductible amount in its gross income reported on its excise tax return.

Eligible digital content is defined as a publication that is published regularly and at least once a month.

The deduction does not apply to amounts received by persons from cooperative advertising or similar cost sharing between a manufacturer, distributor, or seller of products. If any person makes an expenditure as defined in the campaign disclosure and contribution statutes, they must reduce their deduction by an equal amount. Eligible digital content does not include content created by a radio or television broadcaster.

The Joint Legislative Audit and Review Committee is directed to perform a tax performance statement for this tax preference.

This tax preference expires on January 1, 2035.

**EFFECT OF CHANGES MADE BY BUSINESS, FINANCIAL SERVICES, GAMING & TRADE COMMITTEE (First Substitute):**

The applicability of the tax deduction is narrowed to include persons that are either currently printing or publishing a newspaper or have claimed the preferential rate since 2008 and only publish online. The definition of “eligible digital content” is narrowed to include persons that publish monthly or more frequently. The deduction is narrowed so that it does not apply to amounts received by persons from cooperative advertising or similar cost sharing between a manufacturer, distributor, or seller of products.

The deduction is reduced when a person that makes an expenditure—as defined in the campaign disclosure and contribution statutes—during the tax reporting period in an amount that is equal to the value of expenditures made during the tax reporting period.

**Appropriation:** None.

**Fiscal Note:** Requested on January 7, 2023.

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

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

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: The local news industry is having a very difficult time. The goal of the legislation is not to quintuple the size of the tax preference, we are trying to assist these companies. The rate will go up if the preference does expire next year, and we have to do something. Local journalism provides a unique and important role in our communities. Fact based information on local issues are very important. There has been a dramatic change in the last ten years. There are a lot more empty chairs than there used to be in newsrooms. Advocates want to bring the tax credit preference down to zero, and this step recognizes the urgency of the industry. Everything we hold dear is dependent on this industry. Local journalism is essential to our democracy, and it is extremely expensive to produce. This bill will save tens of thousands of dollars for the Columbian. The decline in advertising has led to the decline of many newspapers, such as the Tacoma News Tribune. Local newspapers are vital to our communities. They publish legal notices and let us know what is happening in our communities. Many communities are losing their newspapers. There are a lot of news deserts across the country. When newspapers go away, public participation goes way down. Employment is down over 30 percent over the years. No one covers any of the 17 school districts in Pierce County. No journalist is assigned to the press corps. We've upset the entire applectart of Democracy by allowing local journalism to go by the wayside. We should not tax something that is struggling to survive. Journalism needs a boost anywhere it can.

OTHER: The League of Women Voters completed a study on how the decline of journalism is having an impact on our democracy.

**Persons Testifying:** PRO: Senator Mark Mullet, Prime Sponsor; Ben Campbell, The Columbian Publishing Company; Joanne Lisosky; John Lester, Publisher - Shelton-Mason

County Journal; Bob Ferguson, WA State Attorney General's Office; Joyce Bruce, WA State Attorney General's Office; Don Nelson, Publisher, Methow Valley News; Andrew Villeneuve, Northwest Progressive Institute; Carol Riker; Rowland Thompson, Allied Daily Newspapers of Washington, Washington Newspaper Publishers Association; Scott Hunter, The Star newspaper.

OTHER: Dee Anne Finken, League of Women Voters of WA.

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