

SENATE BILL REPORT

SB 5458

As of February 3, 2025

Title: An act relating to newspapers and eligible digital content.

Brief Description: Concerning newspapers and eligible digital content.

Sponsors: Senators Frame, Cleveland, Robinson, Liias, Braun, Chapman, Conway, Hasegawa, Lovick, Nobles, Orwall, Saldaña, Salomon, Shewmake, Slatter and Valdez.

Brief History:

Committee Activity: Ways & Means: 2/04/25.

Brief Summary of Bill

- Specifies that if a printing and publishing business is found ineligible for the business and occupation tax exemption, a tax rate of 0.484 percent applies.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

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 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 and wholesaling; and
- 1.5 percent—businesses with taxable income of less than \$1 million, or 1.75

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percent—businesses with taxable income of \$1 million or more, for services and activities not classified elsewhere.

There are many specialized B&O tax rates and preferential rates that apply to specific business activities. In addition, a taxpayer may be eligible to utilize tax preferences, including credits, deductions, and exemptions to reduce their tax liability.

Annual Report Requirement for Certain Tax Preferences. Recipients of certain tax preferences must file an annual report with the Department of Revenue (DOR). This report is required for tax preferences with an identified legislative purpose to improve industry competitiveness or to create or retain jobs. The report must include information about employment and wages for the tax year in which the preference was claimed, as well as the amount of the tax preference claimed. Failure to submit a complete report on time results in 35 percent of the tax preference claimed to be immediately due, along with an additional 15 percent if the claimant has previously been assessed with failure to submit a report. DOR may not assess interest or penalties on amounts due.

Business and Occupation Tax Preference for Newspapers and Digital Content. Printing and publishing was subject to a preferential state B&O tax rate of 0.35 percent. This reduced rate applied to advertising and subscription revenue generated by print and digital newspapers. The preference was available to any business producing materials that met the statutory definition of newspaper. It was not available for online newspapers that did not have a print version. The preferential tax rate was set to expire July 1, 2024, at which point a tax rate of 0.484 percent would have applied. In 2023, the Legislature enacted E2SSB 5199, providing a total B&O exemption for all amounts received from printing and publishing newspapers, as well as the publishing of certain digital content. The B&O tax exemption expires January 1, 2034. Printing and publishing businesses must file an annual tax performance report with DOR detailing wages and employment of the business as well as tax savings from the preferential tax rate. Failure to submit the report can result in the assessment of a portion of the tax preference claimed for the previous calendar year to be immediately due and payable.

Summary of Bill: The bill clarifies that a printing and publishing business must file a complete annual tax performance report with DOR.

If a printing and publishing business is found ineligible for the B&O exemption for any reason, a 0.484 percent will apply in lieu of the B&O service rate of 1.5 percent or 1.75 percent. DOR may include interest but not penalties.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.