

FINAL BILL REPORT

SHB 2585

C 273 L 08

Synopsis as Enacted

Brief Description: Concerning the business and occupation taxation of newspaper-labeled supplements.

Sponsors: By House Committee on Finance (originally sponsored by Representatives McIntire and Kessler).

House Committee on Finance

Senate Committee on Ways & Means

Background:

Printing and publishing is subject to the state business and occupation (B&O) tax at a rate of 0.484 percent. This includes printing or publishing of newspapers, magazines, books, music and similar items. The tax applies to the gross receipts of the business, including subscription sales, newsstand sales, advertising income, and other income.

In recent years, newspapers have begun to post materials from their hard-copy editions on the Internet. The Department of Revenue considers any income derived from this activity to not constitute printing or publishing. Thus, advertising income received by newspapers for their web-based materials is subject to B&O tax under the service classification at a rate of 1.5 percent.

Summary:

The definition of newspaper for B&O tax purposes is amended to add "any newspaper-labeled supplement produced in any media." This includes material posted on the Internet. As a result, advertising income related to web-based newspaper material is subject to the 0.484 percent printing and publishing tax rate, instead of the 1.5 percent service rate. However, the reduced tax rate is only applicable for a three year period, from July 1, 2008 until June 30, 2011. Printed inserts or attachments to a newspaper are eligible for the preferential tax rate, but only if they are distributed in the same geographic areas as the newspaper.

Votes on Final Passage:

House	89	5	
Senate	48	1	(Senate amended)
House	92	4	(House concurred)

Effective: July 1, 2008