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**Finance Committee**

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**HB 3127**

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

**Sponsors:** Representative Kessler.

**Brief Summary of Bill**

- Eliminates the June 30, 2011, expiration date for the preferential tax rate for printing and publishing newspaper supplements and Internet-based versions of printed newspapers.

**Hearing Date:** 2/5/10

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

The printing and publishing of newspapers is subject to the state business and occupation (B&O) tax at a rate of 0.2904 percent. (The Legislature in 2009 lowered the tax rate from 0.484 percent to 0.2904 percent, effective July 1, 2009.) 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. Until July 1, 2008, income derived from this activity did not constitute printing or publishing. Thus, advertising income received by newspapers for their web-based materials was subject to B&O tax under the service classification at a rate of 1.5 percent.

In 2008 the Legislature amended the definition of newspaper for B&O tax purposes to include any newspaper-labeled supplement and the Internet-based version of printed newspapers. As a result, income from publishing newspaper supplements and advertising income related to Internet-based newspaper material is subject to the 0.2904 percent printing and publishing tax

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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.

**Summary of Bill:**

The June 30, 2011, expiration date for the preferential tax rate for printing and publishing newspaper supplements and Internet-based versions of printed newspapers is eliminated.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.