

SENATE BILL REPORT

SB 5962

As of February 23, 2009

Title: An act relating to reducing the business and occupation tax rate on the business of printing, and of publishing newspapers, magazines, or periodicals.

Brief Description: Reducing the business and occupation tax rate on the business of printing, and of publishing newspapers, magazines, or periodicals.

Sponsors: Senators Prentice, Hewitt, Pridemore and Kilmer.

Brief History:

Committee Activity: Ways & Means: 2/18/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

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 and publishing of newspapers, magazines, periodicals, 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. Persons who publish, but do not print, items other than newspapers, magazines, and periodicals are subject to the retailing (0.471 percent) or wholesaling (0.484 percent) classification of the B&O tax.

Newspapers are 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 includes electronic versions of a newspaper."

Magazines and periodicals are defined as printed publications, other than a newspaper, issued regularly at stated intervals at least once every three months, including any supplement or special edition of the publication.

Summary of Bill: Businesses who are engaged in the business of printing and businesses engaged in the publishing of newspapers, magazines, and periodicals are subject to the B&O tax at the rate of .2904 percent.

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

Businesses who claim the preferred rate must file an annual report to the Department of Revenue by March 31 of the year following the calendar year in which the business is eligible to claim the preferred rate. The report must include information detailing employment, wages, and employer-provided health and retirement benefits for employment positions in the state. If a report is not filed with the Department of Revenue, the department must declare the amount of the tax preference claimed for the previous year immediately due and payable.

By November 1, 2014, and November 1, 2016, the fiscal committees of the House of Representatives and the Senate must report to the Legislature on the effectiveness of the preferential rate.

Appropriation: None.

Fiscal Note: Requested on February 12, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony: PRO: We are concerned because of what is happening to the newspaper industry and advertising in this economy. Several newspapers are going away. Newspapers are a way for the the people to stay in tune with the government and the events of the world. The tax rate we are asking for is the same as the aerospace industry and the timber industry. The states' newspapers and its employees have been hit harder than most in this economy and that is due mostly to reduced advertising. In normal economic times, we would be profitable.

At the Seattle Times we lost 20 percent of advertising revenue in 2007 and 2008, and it is projected to be larger in 2009. We have gone through three rounds of employee reductions. We are going to continue to have to sacrifice, but hopefully no more job losses. We actually have growth in paid circulation. So the content we are producing is still popular. Our country was founded on the notion of free press and multiple voices. The employment levels of newsrooms in the state are at an all time low. This will help us retain some content and some employment.

We have transitioned into the information age and the information age is in chaos. This is a perfect storm situation for newspapers, as we are in this information transition and the bad economy hits at the same time. We are supported 90 percent by advertising and these revenues are really down. The weekly newspapers are hurting in every corner of the state. The printing portion of this bill will help us a lot because of our newspapers outsource their printing.

Larger manufacturers have gotten a lot of tax relief in this state. We don't want to forget about the smaller manufacturing industries such as the printing industry. There is a close relationship between the newspaper industries and the printing industries. We do much of their work for them. The same problem with advertising that affects newspapers affects the printing industry as well. My business is a union business that employs 66 employees. We

have high wages but have had to lay off some people. We have lost business to out-of-state printers due to pricing pressures. This bill will help that. We are a highly capitalized industry and technology is changing quickly. It takes a lot of capital to keep things running. Any help we can get we will put into our capital program. Our employees are working at 90 percent full time. Our employees are the key to our success.

Persons Testifying: PRO: Roland Thompson, Allied Daily Newspapers; Frank Blethen, Seattle Times; Scott Campbell, The Columbian; Bill Will, Washington Newspaper Publishers Association; Bill Stauffacher, Pacific Printing and Imaging Association; Laura Lawton, Lawton Printing; Beth Snider, Trade Printery.