

FINAL BILL REPORT

SHB 2033

C 272 L 06

Synopsis as Enacted

Brief Description: Modifying the allocation of printing and publishing income for municipal business and occupation taxes.

Sponsors: By House Committee on Finance (originally sponsored by Representatives McIntire, Orcutt, Conway, Hunter, Chase and Santos).

House Committee on Finance

Senate Committee on Government Operations & Elections

Background:

Municipal business and occupation taxes. Thirty-seven cities impose business and occupation (B&O) taxes on the gross receipts of activities conducted by businesses without any deduction for the costs of doing business. The Legislature limited city B&O taxes to a maximum rate of 0.2 percent in 1982, but higher rates are allowed if approved by the voters in the city, or if a higher rate was in effect prior to January 1, 1982. For cities that increase tax rates or that impose a B&O tax for the first time after April 22, 1983, the jurisdiction must provide for a referendum procedure to apply to the ordinance imposing or increasing the tax.

In 2003, legislation was enacted that requires the Association of Washington Cities (AWC) to adopt a model ordinance that provides a more uniform system of municipal B&O taxes. Cities imposing B&O taxes after 2004 must adopt the provisions of the ordinance.

The model ordinance that AWC adopted pursuant to the 2003 legislation includes several business activity classifications for the purpose of applying the tax, including extracting, manufacturing; wholesaling; retailing of goods, retailing of services; printing or publishing, processing or extracting for hire; or other (service) activities.

In addition to the model ordinance requirement, the 2003 legislation requires that by January 2008 all cities that impose gross receipts B&O taxes allow businesses to apportion income for tax purposes. For activities other than services or income from royalties, income is to be apportioned based on location of the activity. For sales of tangible personal property, apportionment is based on the location of delivery to the buyer. With respect to income from royalties, income is apportioned to the commercial domicile of the taxpayer. Under the Department of Revenue's rules and tax law in general, the commercial domicile is the principal place from which the trade or business of the taxpayer is directed or managed and is not limited to locations within Washington.

Printing and publishing. Many publishers receive income from readers' subscriptions. Under subscription agreements, the newspaper or periodical is generally delivered to the reader at a location specified by the reader, often the residence or place of business of the reader.

Summary:

Cities that impose B&O taxes after 2007 are required for the purposes of apportionment to allow businesses to allocate income from the activities of printing or publishing to the principal place in Washington from which the business is directed or managed.

Votes on Final Passage:

House 97 0

House 95 0

Senate 47 0

Effective: January 1, 2008