
Finance Committee

HB 1206

Brief Description: Providing tax relief for newspaper publishers.

Sponsors: Representatives Pollet, Walen, Leavitt, Orwall, Chapman, Rule, Ryu, Berry, Bateman, Berg, Ramel, Ormsby, Callan, Senn, Ortiz-Self, Fosse, Paul and Thai; by request of Attorney General.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Replaces the current preferential business & occupation (B&O) tax rate of 0.35 percent for newspapers with a B&O tax deduction for business activity engaging in newspaper publishing or certain digital content.

Hearing Date: 1/24/23

Staff: Kristina King (786-7190).

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, wholesaling, and extracting; and 1.5 percent (businesses with taxable income of less than \$1 million) or 1.75 percent (businesses with taxable income of \$1 million or more) for services and for activities not classified elsewhere. Several preferential rates also apply to

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specific business activities.

Business and Occupation Tax Preference for Newspapers.

The tax preference for newspaper printers and publishers was enacted in 2009. Qualifying newspaper printers and publishers receive a reduced B&O tax rate of 0.35 percent compared to the standard rate of 0.484 percent. In 2015, the preference was extended and is set to expire July 1, 2024.

"Newspaper" is 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
- an electronic version of a printed newspaper that:
 - shares content with the printed newspaper; and
 - is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

Summary of Bill:

The preferential B&O tax rate for newspaper printers and publishers of 0.35 percent is repealed. Beginning on January 1, 2024, a B&O deduction is created for business activities related to printing or publishing a newspaper, eligible digital content, or both. A business claiming this preference must include the deductible amount in its gross income reported on its excise tax return.

"Eligible digital content" is defined as a publication that:

- is published regularly and at least once every three months;
- has no more than 50 employees, at least one of whom creates content;
- primarily features written content;
- is made available to readers primarily or exclusively in electronic format; and
- does not include content created by a radio or television broadcaster.

The Joint Legislative Audit and Review Committee is directed to perform a tax performance statement for this tax preference and the preference expires on January 1, 2035.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on January 1, 2024.