

SENATE BILL REPORT

SB 5199

As of January 10, 2023

Title: An act relating to tax relief for newspaper publishers.

Brief Description: Providing tax relief for newspaper publishers.

Sponsors: Senator Mullet; by request of Attorney General.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 1/12/23.

Brief Summary of Bill

- Replaces the current preferential business & occupation (B&O) tax rate of 0.035 percent for newspapers with a B&O tax deduction for business activity engaging in newspaper publishing or certain digital content.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Clinton McCarthy (786-7319)

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 for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

Business and Occupation Tax Preference for Newspapers. In 2008 and again in 2012, the Legislature temporarily revised the definition of newspaper to include electronic versions of

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newspapers. The effect of this is that both the online version of a newspaper and the physical version of a newspaper were taxed at the B&O rate of 0.35 percent until July 1, 2015. In 2015, the Legislature clarified that the electronic version of a newspaper is a supplement to the printed newspaper, which creates a blended rate for reporting B&O taxes for newspapers. The B&O rate of 0.35 percent was extended through July 1, 2024. After this date the rate will be increased to 0.484 percent.

These businesses have to file a complete annual tax performance report with the Department of Revenue. The current tax preference is set to expire July 1, 2024.

Summary of Bill: The preferential B&O tax rate of 0.35 percent for publishing newspapers is repealed. Beginning January 1, 2024, businesses may deduct activities related to printing or publishing a newspaper, or eligible digital content, or both, from their B&O tax. 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; and
- is made available to readers primarily or exclusively in electronic format.

Eligible digital content 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.

This tax preference expires on January 1, 2035.

Appropriation: None.

Fiscal Note: Requested on January 7, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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