
Finance Committee

HB 1380

Brief Description: Regarding the printing and publishing business and occupation tax classification.

Sponsors: Representatives Hunter and McIntire; by request of Department of Revenue.

Brief Summary of Bill

- Imposes the 1.5 percent services business and occupation tax rate on publishers of advertising-based periodicals.

Hearing Date: 1/30/07

Staff: Rick Peterson (786-7150).

Background:

The business and occupation (B&O) tax is levied for the privilege of doing business in the state. The tax is levied on the value of products, gross proceeds of sales, or gross income of all business activities conducted within the state without deductions for the costs of doing business. There are several different B&O tax rates. The three principal rates are manufacturing/wholesaling (0.484 percent), retailing (0.471 percent), and services (1.5 percent).

Printing, and the publishing of newspapers, magazines, and periodicals are taxed under a special tax provision. Printing activity is subject to the B&O tax at the rate of 0.484 percent. Taxpayers that both print and publish books, music, circulars, and other materials are taxed at the same 0.484 percent rate. Publishers that do not print their own material are taxed at the retailing rate (0.471 percent) or wholesaling rate (0.484 percent) on sales of the material and at the services rate (1.5 percent) on income received from advertising. However, publishers of newspapers, magazines, and periodicals are taxed at the lower 0.484 percent rate.

A newspaper is a regularly issued publication (at least twice a month) that is printed on newsprint in tabloid or broadsheet format folded loosely together without a binding. A periodical or magazine is a regularly issued printed publication (at least once every three months), other than a newspaper, and includes supplements and special editions.

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The B&O tax is imposed on the gross receipts from all business activities conducted within the state. If a taxpayer is subject to the 1.5 percent service rate and has a place of business outside the state that contributes to the performance of a service, the taxpayer must apportion to this state the portion of gross income derived from services rendered in this state. If it is not practical to use separate accounting methods to determine the amount of services rendered in this state, the taxpayer must apportion income to this state in proportion to the cost of doing business within this state relative to the total cost of doing business both within and outside of this state.

Summary of Bill:

Publishers of advertising-based periodicals such as telephone or other directories, catalogs, advertising circulars, real estate guides, coupons, order forms, classified ad publications, and similar materials are taxed at the services B&O tax rate of 1.5 percent.

The special tax category for printing and publishing activities is eliminated. Printing activity is added to the current B&O manufacturing tax at a rate of 0.484 percent. The selling of printed material is added to the current retailing and wholesaling B&O taxes. Retailing is taxed at the 0.471 percent rate and wholesaling at the 0.484 percent rate.

Publishing is separated into two categories. Publishers of newspapers and periodicals are taxed at the rate of 0.484 percent. Publishers of materials that are not newspapers or periodicals are taxed on their gross income, including advertising income, at 1.5 percent.

The definition of periodicals is changed to include magazines within the definition of periodicals. Supplements of newspapers and periodicals are included within the definitions of newspapers and periodicals.

Telephone or other directories; catalogs; advertising leaflets, fliers, or circulars; real estate guides; coupons; order forms; classified ad publications; and similar materials are not newspapers or periodicals.

The Department of Revenue (DOR) will adopt rules to govern the apportionment of gross publishing income of newspapers and periodicals. The DOR will be guided by uniform rules for apportionment or allocation developed by the states and give consideration to the complexity of the apportionment or allocation methods, and their effect on small businesses.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect January 1, 2008, except for section 2 which replaces section 3 on July 1, 2011, and section 17 which replaces section 16 on July 1, 2012, and sections 7 and 13 which replace sections 6 and 12 respectively if a significant semiconductor microchip fabrication facility is located in Washington.