

HOUSE BILL REPORT

EHB 2122

As Passed House:

March 10, 2009

Title: An act relating to reducing the business and occupation tax burden on the newspaper industry.

Brief Description: Reducing the business and occupation tax burden on the newspaper industry.

Sponsors: Representatives Kessler, Blake, Ericks, Takko, Wallace, Morris, Lias, Hunt, Kelley, Quall, Sullivan and Van De Wege.

Brief History:

Committee Activity:

Finance: 2/20/09, 3/2/09 [DP].

Floor Activity

Passed House: 3/10/09, 91-5.

Brief Summary of Engrossed Bill

- Reduces the business and occupation tax rate for printing and publishing newspapers, from 0.484 percent to 0.2904 percent of gross income.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Parker, Assistant Ranking Minority Member; Conway, Ericks, Santos and Springer.

Minority Report: Do not pass. Signed by 3 members: Representatives Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta.

Staff: Joseph Archuleta (786-7192)

Background:

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 B&O tax even though they

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.

may not have any profits or may be operating at a loss. Major tax rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services, several lower rates also apply to specific business activities.

The 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 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.

Summary of Engrossed Bill:

This bill reduces the B&O tax rate for printing and publishing newspapers from 0.484 percent to 0.2904 percent of gross income.

This bill requires persons or businesses claiming this preferential tax rate to complete and electronically file an annual report with the Department of Revenue.

Appropriation: None.

Fiscal Note: Requested March 3, 2009.

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

Staff Summary of Public Testimony:

(In support) This bill is important because democracy is well cared when there is oversight by journalists across the nation. When there is no oversight, it can result in a less informed electorate and citizenry. These businesses represent 18,000 workers, which are union, family wage jobs with pensions and medical care. When those jobs are gone they do not come back. This bill equalizes tax treatment between newspapers and printers and the aerospace, forestry, and high tech and biotech industries.

Titles from around the state are disappearing, such as the Seattle P-I, Cowlitz County Advocate, and Lewis River News, having those newspapers closed will drain the life blood out of those communities. Without them it is difficult to pass levies and watch what your school board is doing, to find out what's going on with your city council, and to publicize events that hold the community together. Newspapers are essentially that which knits a community together, whether it is large or small. It is worthwhile to give newspapers, for a limited period of time until 2015, the same sort of considerations that the Legislature has given to major industries in this state. Newspapers are a vital industry, and one that reflects

the best values of this democracy and allows Washington citizens to remain informed. The fact is the newspaper business model is not broken, and when it comes out of this terrible recession a very stable newspaper model will have emerged.

(Opposed) None.

Persons Testifying: Representative Kessler, prime sponsor; Rowland Thompson, Allied Daily Newspapers of Washington; Frank Blethen, The Seattle Times; David Zeeck, The Tacoma News Tribune; and Bill Will, Washington Newspaper Publishers Association.

Persons Signed In To Testify But Not Testifying: None.