FINAL BILL REPORT
E2SSB 5199

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Synopsis as Enacted

Brief Description: Providing tax relief for newspaper publishers.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Mullet, Conway, Dozier, Holy, Keiser, Lovelett, Nguyen, Shewmake and Valdez; by request of Attorney General).

Senate Committee on Business, Financial Services, Gaming & Trade
Senate Committee on Ways & Means
House Committee on Finance

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 depending on the size of the business as determined by gross income, either 1.5 or 1.75 percent for services and activities not classified elsewhere. Several preferential rates as well as increased rates or surcharges also apply to specific business activities.

Business and Occupation Taxation for Newspapers. Printing and publishing is subject to a preferential state B&O tax rate of 0.35 percent. This reduced rate applies to advertising and subscription revenue generated by print and digital newspapers. The preference is available to any business producing materials that meet the statutory definition of newspaper. It is not available for online newspapers that do not have a print version. The preferential tax rate expires July 1, 2024, at which point a tax rate of 0.484 percent will apply. Printing and publishing businesses must file an annual tax preference performance report with the Department of Revenue detailing wages and employment of the business as well as tax savings from the preferential tax rate.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Under current law, newspaper means:

- 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 it is a complement to the printed newspaper.

Tax Preference Review Requirements. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee (JLARC) can use to review the effectiveness of the preference in achieving its stated public policy objectives. Tax preferences must be reviewed by JLARC at least once every ten years, unless state statute requires otherwise. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempt from expiration. To assist the Legislature in its evaluation of economic development-related tax preferences, taxpayer beneficiaries are required to file annual tax preference performance reports detailing wages and employment of the taxpayer as well as tax savings from the tax preference.

Summary: The preferential B&O tax rate of 0.35 percent for printing and publishing newspapers is replaced with a complete B&O tax exemption. Therefore, beginning January 1, 2024, a business is exempt on all amounts received from activities related to printing or publishing a newspaper.

The B&O tax exemption is extended to publishing eligible digital content if the person reported under the printing and publishing tax classification for the tax reporting period that covers January 1, 2008, for a printed version of the publication. Eligible digital content means a publication that is published at regularly stated intervals of at least once per month; features written content, the largest category of which, determined by word count, contains material that identifies the author or the original source of the materials; and is made available to readers exclusively in an electronic format.

In cases where a publisher charges a single, non-variable amount to advertise in, subscribe to, or access content in both a printed and electronic publication, the entire amount of the charge is exempt.

The exemption applies only to persons primarily engaged in printing a newspaper, publishing a newspaper, or publishing eligible digital content, or any combination of these activities.

The B&O tax exemption expires January 1, 2034.

A TPPS is included that states a specific public policy objective of protecting and supporting local journalism. JLARC is required to review the B&O tax deduction. If the review finds that exemption accomplishes its goal of supporting local journalism across the state, measured by retaining 75 percent of journalism jobs, local newspapers, and community-focused online news outlets based in Washington as of December 31, 2022, or if a review finds the tax exemption enables locally based journalism outlets to continue to exist when compared to states that did not provide similar tax incentives, then a legislative presumption is created that the 2034 expiration date should be extended.

Votes on Final Passage:

Senate	47	1
House	89	7

Effective: January 1, 2024