
Finance Committee

HB 1060

Brief Description: Concerning newspapers and eligible digital content.

Sponsors: Representatives Santos, Orcutt, Shavers and Duerr.

Brief Summary of Bill

- Requires businesses claiming a business and occupation tax exemption for publishing newspapers and digital content to file an annual tax performance report.

Hearing Date: 1/23/25

Staff: Rachelle Harris (786-7137).

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 and wholesaling; 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 activities not classified elsewhere.

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.

There are many specialized B&O tax rates and preferential rates that apply to specific business activities. In addition, a taxpayer may be eligible to utilize tax preferences, including credits, deductions, and exemptions to reduce their tax liability.

Annual Report Requirement for Certain Tax Preferences.

Recipients of certain tax preferences must file an annual report with the Department of Revenue (DOR). This report is required for tax preferences with an identified legislative purpose to improve industry competitiveness or to create or retain jobs. The report must include information about employment and wages for the tax year in which the preference was claimed, as well as the amount of the tax preference claimed. Failure to submit a complete report on time results in 35 percent of the tax preference claimed to be immediately due, along with an additional 15 percent if the claimant has previously been assessed with failure to submit a report. The DOR may not assess interest or penalties on amounts due.

Business and Occupation Tax Preference for Newspapers and Digital Content.

A B&O exemption is available for all amounts received from printing and publishing newspapers, as well as the publishing of certain digital content. The B&O tax exemption expires January 1, 2034.

Summary of Bill:

A business claiming the B&O exemption for newspaper or digital content publication must file a complete annual tax performance report with the DOR. Failure to file the report results in the business repaying the tax at 0.484 percent on applicable activities. If the DOR finds that a business is not eligible for the exemption, the business must immediately pay the tax at the manufacturing rate of 0.484 percent on applicable activities. The DOR must assess interest on the taxes, but not penalties. The interest assessed is retroactive to the date when the tax exemption was taken and accrues until the taxes are paid.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.