

HOUSE BILL REPORT

HB 1060

As Reported by House Committee On:
Finance

Title: An act relating to newspapers and eligible digital content.

Brief Description: Concerning newspapers and eligible digital content.

Sponsors: Representatives Santos, Orcutt, Shavers and Duerr.

Brief History:

Committee Activity:

Finance: 1/23/25, 2/4/25 [DP].

Brief Summary of Bill

- Clarifies that publishers of newspapers and certain digital content pay a business and occupation tax rate of 0.484 percent on activities not eligible for an exemption.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 15 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell, Chase, Mena, Parshley, Penner, Ramel, Santos, Scott, Springer, Walen and Wylie.

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

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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.

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.

Staff Summary of Public Testimony:

(In support) This is a technical correction bill. When the legislature established the B&O exemption for newspapers, it was clear on the intent to support the industry. We did not say what was going to happen when the bill expires. They will end up being taxed at the higher rate. The ability to retain independent news results in a rise of civic participation.

(Opposed) None.

(Other) This bill is administrable and will ensure good administration of the code. Current law has a tax preference report, and relevant taxpayers have to supply the report. In the process of passing the original law, a small newspaper was taken out, and the legislation did not specify what we would do if there is revenue that does not qualify for the exemption. Without specifying, they default to the service and other rate of 1.5 percent which is not consistent with the legislative intent. If a newspaper has revenue that does not qualify for the exemption, this bill makes sure that they will be taxed at the lower rate.

Persons Testifying: (In support) Representative Sharon Tomiko Santos, prime sponsor.

(Other) Steve Ewing, Dept. of Revenue.

Persons Signed In To Testify But Not Testifying: None.