HOUSE BILL REPORT
SB 5457

As Reported by House Committee On:
Finance

Title: An act relating to radio and television broadcasting.

Brief Description: Concerning broadcasters.

Sponsors: Senators Frame, Robinson, Cleveland, Liias, Chapman, Conway, Hasegawa, Lovick, Nobles, Orwall, Saldaña, Salomon, Shewmake, Slatter and Valdez.

Brief History:
Committee Activity:
Finance: 3/20/25 [DP].

Brief Summary of Bill

- Moves the business and occupation (B&O) tax on radio and television broadcasting activities to a new section of the B&O tax code.

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: Kristina King (786-7190).

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 for 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 other tax preferences, including credits and deductions, to reduce their tax liability. For example, a taxpayer engaging in activities subject to different B&O tax rates may be eligible for a Multiple Activities Tax Credit. A taxpayer may also be eligible for a small business credit that will either eliminate or reduce their B&O tax liability. The credit is $160 per month for taxpayers that report at least 50 percent or greater of their total B&O taxable amount under service and other activities, real estate brokers, and contests of chance, and $55 per month for all other businesses, multiplied by the number of months in the reporting period. The amount of the credit available phases out based on the business's gross receipts.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than $125,000 per year.

Business and Occupation Tax for Broadcasters.
Radio and television broadcasters report the gross income of their business under the radio and television broadcasting B&O tax classification. Radio and television broadcasters may deduct their gross receipts from national, network, and regional advertising from their B&O tax liability. The deduction is either a standard deduction rate published by the DOR or calculated by taxpayers using actual receipts. Radio and television broadcasters receive a preferential B&O tax rate of 0.484 percent on the gross receipts from advertising rather than the service and other activities B&O tax rate of 1.5 percent or 1.75 percent. The general fund receives the revenue collected under the radio and television broadcasting B&O tax classification.

Tax Preference Performance Statement.
Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences, including a variety of sales and use tax exemptions. 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 that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences

automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

The B&O tax for radio and television broadcasting business activities is moved into a new section of the B&O tax code. Radio and television broadcasting activities are defined as the delivery of audio, video, and written information by a person operating as a radio or television broadcasting station licensed, regulated, and issued a call sign by the Federal Communications Commission, including, but not limited to, delivery by wire, satellite, or any other means.

An exemption from a TPPS, JLARC review, and the 10-year expiration is included.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

No public hearing was held.

Persons Testifying: No public hearing was held.

Persons Signed In To Testify But Not Testifying: No public hearing was held.