SENATE BILL REPORT
SB 5457

As Passed Senate, March 10, 2025

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: Ways & Means: 2/04/25, 2/13/25 [DP, DNP, w/oRec].
Floor Activity: Passed Senate: 3/10/25, 41-8.

Brief Summary of Bill

- Clarifies the definition of radio and television broadcasting for purposes of the business and occupation tax.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Cleveland, Conway, Dhingra, Hansen, Hasegawa, Kauffman, Pedersen, Riccelli, Saldaña, Wagoner, Wellman and Wilson, C..

Minority Report: Do not pass.
Signed by Senator Schoesler, Ranking Member, Capital.

Minority Report: That it be referred without recommendation.
Signed by Senators Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Dozier, Assistant Ranking Member, Capital; Boehnke, Muzzall and Warnick.

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.

Staff: Alia Kennedy (786-7405)

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. Revenues are deposited in the state General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. The general B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 or 1.75 percent for services and for activities not classified elsewhere—depending on taxable income. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Radio and Television Broadcasting. Radio and television broadcasting is generally subject to a preferential B&O tax rate of 0.484 percent on advertising income, rather than the service and other activities tax rate of 1.5 or 1.75 percent. The amount of advertising income subject to Washington's B&O tax is reduced by the income derived from network, national, and regional advertising, which is essentially defined as advertising income from sponsors who sell goods or services in two or more states. The portion of local advertising income that represents the out-of-state audience is excluded from the B&O tax. Radio and television broadcasters calculate the income derived from network, national, and regional advertising in one of two ways: (1) using a standard deduction as published in rule by the Department of Revenue, or (2) itemizing the portion of revenue derived from network, national, and regional advertising.

The term radio and television broadcasting is not currently defined in statute for purposes of the B&O tax.

Radio and Television Call Signs. Call signs are unique identifiers assigned to radio and television stations by the Federal Communications Commissions (FCC). Call signs consist of 3 to 9 letters and digits, depending on the station's service category. By international agreement, all call signs starting with the letters K, N, and W, as well as AAA-ALZ, are reserved exclusively for use in the United States. The channel number is incorporated into the call sign for channels two through nine.

AM, FM, TV and shortwave broadcasting stations can request their own call letters. The FCC policy covering broadcasting stations limits them to call signs that start with a K or a W, with K call signs generally reserved for stations west of the Mississippi River, and W limited to stations east of the river. Amateur stations can receive call signs starting with all of the letters A, K, N, and W.

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 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 exempted from expiration.

Summary of Bill: Radio and television broadcasting is 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 FCC including, but not limited to, delivery by wire, satellite, or any other means.

The tax preference performance review and automatic expiration provisions do not apply.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill simply codifies the Department of Revenue's current practice as it relates to the taxation of radio and television broadcasting. Broadcasting has never been defined in state statute despite it being taxed for almost 100 years. A definition of broadcasting is necessary now due to the divergence in tax rates amount for radio and television broadcasting and streaming networks.

Persons Testifying: PRO: Rowland Thompson, Washington State Association of Broadcasters; Keith Shipman, Washington State Association of Broadcasters.

Persons Signed In To Testify But Not Testifying: No one.