

FINAL BILL REPORT

SB 5457

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Synopsis as Enacted

Brief Description: Concerning broadcasters.

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

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. 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:

- by using a standard deduction as published in rule by the Department of Revenue, or
- by itemizing the portion of revenue derived from network, national, and regional advertising.

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.

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 Commission (FCC). Call signs consist of three to nine 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 through 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 exempt from expiration.

Summary: 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.

Votes on Final Passage:

Senate	41	8
House	92	2

Effective: July 27, 2025