

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5199 2S SB	<b>Title:</b> Newspaper publishers/tax
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(1,604,000)	(1,604,000)	(1,604,000)	(2,370,000)	(2,370,000)	(2,370,000)	(2,336,000)	(2,336,000)	(2,336,000)
<b>Total \$</b>	<b>(1,604,000)</b>	<b>(1,604,000)</b>	<b>(1,604,000)</b>	<b>(2,370,000)</b>	<b>(2,370,000)</b>	<b>(2,370,000)</b>	<b>(2,336,000)</b>	<b>(2,336,000)</b>	<b>(2,336,000)</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	Fiscal note not available											
Department of Revenue	.5	152,200	152,200	152,200	.1	25,200	25,200	25,200	.1	25,200	25,200	25,200
<b>Total \$</b>	<b>0.5</b>	<b>152,200</b>	<b>152,200</b>	<b>152,200</b>	<b>0.1</b>	<b>25,200</b>	<b>25,200</b>	<b>25,200</b>	<b>0.1</b>	<b>25,200</b>	<b>25,200</b>	<b>25,200</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Preliminary 2/27/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5199 2S SB	<b>Title:</b> Newspaper publishers/tax	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(386,000)	(1,218,000)	(1,604,000)	(2,370,000)	(2,336,000)
<b>Total \$</b>	(386,000)	(1,218,000)	(1,604,000)	(2,370,000)	(2,336,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	0.1	0.6	0.1	0.1
GF-STATE-State 001-1	139,600	12,600	152,200	25,200	25,200
<b>Total \$</b>	139,600	12,600	152,200	25,200	25,200

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeffrey Mitchell	Phone: 60-786-7438	Date: 02/24/2023
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 02/26/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/26/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/27/2023

Request # 5199-4-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Note: This fiscal note reflects language in 2SSB 5199, 2023 Legislative Session.

#### COMPARISON OF SECOND SUBSITUTE TO THE SUBSTITUTE:

The second substitute differs from the substitute bill in the following ways:

- The tax preference is now an exemption, not a deduction.
- The definition of "eligible digital content" is more restrictive, and now means an exclusively digital news publication specifically.
- The act and exemption expire January 1, 2034.

#### CURRENT LAW:

Businesses printing newspapers, publishing newspapers, or both, qualify for a preferential business and occupation (B&O) tax rate of 0.35%. This preferential rate expires July 1, 2024, after which a tax rate of 0.484% applies.

"Newspaper" means:

- A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper; and
- An electronic version of a printed newspaper that:
  - Shares content with the printed newspaper; and
  - Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

Digital periodicals and magazines that do not have a substantially similar tangible counterpart report income from the selling activities under the retailing or wholesaling B&O tax classification and advertising income under the service and other activities B&O tax classification.

Digital periodicals and magazines that do have a substantially similar tangible counterpart report their income under the printing and publishing B&O tax classification.

#### PROPOSAL:

This bill creates a B&O tax exemption for amounts received from any of the following activities:

- Printing and/or publishing newspapers.
- Publishing "eligible digital content" by a person who reported under the printing and publishing tax classification for the reporting period that covers January 1, 2008, for engaging in printing and/or publishing a newspaper, as defined on January 1, 2008.

The exemption must be reduced by an amount equal to the value of any political expenditure made by the taxpayer during the tax reporting period.

In cases where a publisher charges a single, non-variable amount to advertise in, subscribe to, or access content in both the qualifying publication and another type of publication, the entire amount is exempt.

"Eligible digital content" is a news publication that:

- Is published at regularly stated intervals of at least once a month;
- Features written content, the largest category of which, as determined by word count, contains material that identifies the author or the original source of the material; and
- Is made available to readers exclusively in an electronic format.

The exemption excludes those reporting under the radio and television broadcasting classification.

The exemption applies only to businesses primarily engaged in printing a newspaper, publishing a newspaper, or publishing eligible digital content, or any combination of these activities. However, the exemption does not apply if this business activity was previously engaged in by an affiliated person and was not their primary business activity.

This act and the exemption expire January 1, 2034.

**EFFECTIVE DATE:**

This bill takes effect on January 1, 2024.

**II. B - Cash receipts Impact**

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

**ASSUMPTIONS:**

- Growth rates for printers and publishers mimic the growth for newspaper production from the IHS Markit's November 2022 forecast.
- This legislation takes effect January 1, 2024, and impacts five months of collections in fiscal year 2024.

**DATA SOURCES:**

- Department of Revenue, Excise tax return data
- IHS Markit industrial production index for newspaper publishers, November 2022 forecast

**REVENUE ESTIMATES:**

This bill decreases state revenues by an estimated \$386,000 in fiscal year 2024 and then by \$1.2 million in fiscal year 2025, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

State Government (cash basis, \$000):

FY 2024 - (\$ 386)  
FY 2025 - (\$ 1,218)  
FY 2026 - (\$ 1,192)  
FY 2027 - (\$ 1,178)  
FY 2028 - (\$ 1,171)  
FY 2029 - (\$ 1,165)

Local Government, if applicable (cash basis, \$000): None.

**II. C - Expenditures**

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

**ASSUMPTIONS:**

This bill affects 100 taxpayers printing or publishing newspapers and online publishers.

**FIRST YEAR COSTS:**

The department will incur total costs of \$139,600 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 0.99 FTE.
  - Test and verify computer system changes.
  - Create a special notice and identify publications and information that the department may need to create or update on the department’s website.
  - Respond to tax ruling requests, email inquiries, and more difficult call backs from the telephone information center.
  - Develop and maintain annual tax performance report questions.
  - Review annual tax performance report submissions, work to verify submission accuracy, and compile statistics and reports.
  - Amend one excise tax advisory.
  - Amend two administrative rules.

Object Costs - \$17,600.

- Computer system changes, including contract programming.

**SECOND YEAR COSTS:**

The department will incur total costs of \$12,600 in fiscal year 2025. These costs include:

- Labor Costs - Time and effort equate to 0.1 FTE.
  - Maintain annual tax performance report questions.
  - Review annual tax performance report submissions, work to verify submission accuracy, and compile statistics and reports.

**ONGOING COSTS:**

Ongoing costs for fiscal year 2025-27 biennium equal \$25,200 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE per year.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	0.1	0.6	0.1	0.1
A-Salaries and Wages	75,400	8,500	83,900	17,000	17,000
B-Employee Benefits	24,900	2,800	27,700	5,600	5,600
C-Professional Service Contracts	17,600		17,600		
E-Goods and Other Services	14,900	1,000	15,900	2,000	2,000
J-Capital Outlays	6,800	300	7,100	600	600
<b>Total \$</b>	<b>\$139,600</b>	<b>\$12,600</b>	<b>\$152,200</b>	<b>\$25,200</b>	<b>\$25,200</b>

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>2023-25</b>	<b>2025-27</b>	<b>2027-29</b>
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
MGMT ANALYST4	73,260	0.3		0.2		
TAX POLICY SP 2	75,120	0.4		0.2		
TAX POLICY SP 3	85,020	0.2	0.1	0.2	0.1	0.1
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		1.0	0.1	0.6	0.1	0.1

**III. C - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-143, titled: "Printers and publishers of newspapers, magazines, and periodicals" and WAC 458-20-144, titled: "Printing industry." Persons affected by this rulemaking would include newspapers, publishers of newspapers, and qualified online publishers.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 5199 2S SB

**Title:** Newspaper publishers/tax

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities:  
 Counties:  
 Special Districts:  
 Specific jurisdictions only:  
 Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.  
 Expenditures represent one-time costs:  
 Legislation provides local option:  
 Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/27/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 02/24/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/27/2023



## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

#### **CHANGES TO PREVIOUS BILL VERSION**

This second substitute bill alters the definition of "eligible digital content."

#### **SUMMARY OF CURRENT BILL VERSION**

This bill would allow the state preferential B&O tax rate of 0.35% for newspaper publishers and newspaper printers to expire on July 1, 2024 (after which a tax rate of 0.484% will apply), and would enact a state B&O tax deduction for newspaper publishers, printers, and would expand to include: qualified online publishers beginning January 1, 2024. Cities with a B&O tax will not have to implement a new exemption, just a definitional change for tax allocation purposes.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

#### **CHANGES TO PREVIOUS BILL VERSION**

Changes made to this second substitute bill do not alter the previous analysis of local expenditure impacts.

#### **SUMMARY OF CURRENT EXPENDITURE IMPACTS**

This bill will not impact local government expenditures.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

#### **CHANGES TO PREVIOUS BILL VERSION**

Changes made to this second substitute bill do not alter the previous analysis of local revenue impacts.

#### **SUMMARY OF CURRENT REVENUE IMPACTS**

This bill will not impact local government revenues.

#### **SOURCES**

Dept of Revenue draft fiscal note

Association of Washington Cities