

Multiple Agency Fiscal Note Summary

Bill Number: 5199 E 2S SB	Title: 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)
Total \$	(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)

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	.1	0	0	22,200	.0	0	0	4,400	.0	0	0	4,400
Department of Revenue	.5	152,200	152,200	152,200	.1	25,200	25,200	25,200	.1	25,200	25,200	25,200
Total \$	0.6	152,200	152,200	174,400	0.1	25,200	25,200	29,600	0.1	25,200	25,200	29,600

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	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 4/12/2023
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Individual State Agency Fiscal Note

Bill Number: 5199 E 2S SB	Title: Newspaper publishers/tax	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
Performance Audits of Government Account-State 553-1	20,000	2,200	22,200	4,400	4,400
Total \$	20,000	2,200	22,200	4,400	4,400

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: 360-786-7438	Date: 03/31/2023
Agency Preparation: Pete van Moorsel	Phone: 360-786-5185	Date: 04/03/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 04/03/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 04/05/2023

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.

This bill seeks to terminate an existing B&O tax preference for newspaper printers and publishers and replace it with a new tax preference that would provide taxpayers with a B&O tax exemption for printing or publishing a newspaper and publishing eligible digital content and extend the expiration date.

The current tax preference, which reduces the B&O tax rate for newspaper printers and publishers from 0.484% to 0.35%, will expire on July 1, 2024.

Section 1 is the findings statement. It summarizes the financial losses and employment declines realized by the newspaper industry and the disruption of its traditional revenue streams as the internet became the dominant medium for news content. It also summarizes the oversight function and educational role that local journalism often serves in governance and associated trends in civic engagement.

Section 2 would add a new chapter to RCW 82.04 and establish eligible activities:

- Printing a newspaper, publishing a newspaper, or both; or
- Publishing eligible digital content, by a taxpayer who reported under the printing and publishing tax classification for a printed version of the publication.

Additionally, the section defines “eligible digital content” and specifies the exemption is available only to taxpayers primarily engaged in printing a newspaper, publishing a newspaper, publishing eligible digital content, or any combination of these activities.

Section 3 would amend RCW 82.04.260 by removing the existing tax preference for newspaper printing and publishing and the annual tax performance report requirement under RCW 82.32.534.

Section 4 would amend RCW 35.102.150 by requiring a municipal government that imposes a B&O tax to allocate the taxpayer’s gross income consistent with the new tax exemption.

Section 5 would amend RCW 82.04.460 the definition of “apportionable activities” to align with the new tax exemption.

Section 6 would amend RCW 82.08.806 to update the definition of “printer and publisher” to align with the new tax exemption.

Section 7 is the tax preference performance statement. The preference is categorized as one intended to provide tax relief for certain businesses or individuals and to create or retain jobs. The latter purpose requires a taxpayer claiming the new exemption to file a complete annual tax performance report.

The stated public policy objective is to protect and support local journalism.

The Legislature intends to extend the expiration date of the tax preference if either of two metrics are achieved:

- Compared to December 31, 2022, at least 75% of the journalism jobs, local newspapers, and community-focused online news outlets based in Washington are retained.
- If the preference enables locally based journalism outlets to continue to exist when compared to states that did not provide similar tax incentives.

Additionally, this section stipulates that RCW 82.32.808(6) does not apply to the new tax exemption.

Section 8 stipulates the act takes effect January 1, 2024.

Section 9 stipulates the act expires on January 1, 2034.

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.

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.

The fiscal note estimate assumes JLARC staff would track qualifying newspaper printers, newspaper publishers, and publishers of qualifying digital content. JLARC staff would contact and work with the Department of Revenue, and any other appropriate entities, after the legislative session to ensure relevant information to assess the effectiveness of the exemption is available. Additionally, JLARC staff may engage with other entities to monitor policies or initiatives in other states to inform the proposed interstate comparative analysis.

The expenditure detail noted reflects the costs associated with establishing contacts and collecting appropriate baseline data and information. The expenditure detail does not include the cost to conduct the analysis, which is assumed to be completed in 2031.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	20,000	2,200	22,200	4,400	4,400
Total \$			20,000	2,200	22,200	4,400	4,400

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	12,900	1,400	14,300	2,800	2,800
B-Employee Benefits	4,100	500	4,600	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	2,700	300	3,000	600	600
G-Travel	300		300		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	20,000	2,200	22,200	4,400	4,400

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

III. D - 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

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

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.

Department of Revenue Fiscal Note

Bill Number: 5199 E 2S SB	Title: Newspaper publishers/tax	Agency: 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)
Total \$	(386,000)	(1,218,000)	(1,604,000)	(2,370,000)	(2,336,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	0.1	0.6	0.1	0.1
Account					
GF-STATE-State 001-1	139,600	12,600	152,200	25,200	25,200
Total \$	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: 603-60-786-7438	Date: 03/31/2023
Agency Preparation: Van Huynh	Phone: 603-60-534-1512	Date: 04/04/2023
Agency Approval: Valerie Torres	Phone: 603-60-534-1521	Date: 04/04/2023
OFM Review: Cheri Keller	Phone: 603-60-584-2207	Date: 04/04/2023

Request # 5199-6-1

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 E2SSB 5199, 2023 Legislative Session.

COMPARISON OF THE ENGROSSED SECOND SUBSTITUTE BILL TO THE SECOND SUBSTITUTE:

The engrossed second substitute removes some unnecessary language and adds clarifying language. The changes include:

- Amending the definition of "eligible digital content" to include publications other than news publications.
- Removing the provision stating the tax exemption does not apply to persons reporting under the radio and television broadcasting classification. This language is unnecessary, as other language in the bill effectively precludes radio and television broadcasting businesses from qualifying for the exemption.
- Defining "affiliated" to mean a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person.
- Defining "primarily" to mean more than 50% of the taxpayer's gross worldwide income from all business activities, whether subject to business and occupation tax or not, comes from a specific activity or combination of activities.

The engrossed second substitute leaves the revenue impacts of the second substitute bill unchanged.

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

Request # 5199-6-1

the tax reporting period.

If a person who is primarily engaged in printing a newspaper, publishing a newspaper, or publishing eligible digital content, or any combination of these activities, 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 publication:

- Published at regularly stated intervals of at least once a month.
- Featuring 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.
- Made available to readers exclusively in an electronic format.

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 these activities were previously engaged in by an affiliated person and were not the affiliated person's 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 of Revenue (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 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
Total \$	\$139,600	\$12,600	\$152,200	\$25,200	\$25,200

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
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		
Total FTEs		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 E 2S SB	Title: Newspaper publishers/tax
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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: 04/05/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 03/31/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/05/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/05/2023

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 engrossed second substitute bill alters definitions and removes unnecessary language. This bill version does not alter the previous local government fiscal analysis.

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 bill version do not alter the previous local government expenditure impact.

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 bill version do not alter the previous local government revenue impact.

SUMMARY OF CURRENT REVENUE IMPACTS

This bill will not impact local government revenues.

SOURCES

Dept of Revenue draft fiscal note

Association of Washington Cities