Department of Revenue Fiscal Note

Bill Number: 5541 SB	Title: Newspapers/B&O tax	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(1,000,000)	(1,000,000)	(2,500,000)	(2,700,000)
Total $		(1,000,000)	(1,000,000)	(2,500,000)	(2,700,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.1		
Account					
GF-STATE-State 001-1	8,800	40,200	49,000		
Total $	8,800	40,200	49,000		

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.

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Part II: Narrative Explanation

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

Briefly describe, by section number, the significant provisions of the bill , and any related workload or policy assumptions , that have revenue or expenditure impact on the responding agency .

CURRENT LAW:
Persons engaging in the business of printing newspapers, publishing newspapers, or both, are provided 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.

PROPOSAL:
The preferential tax rate of 0.35% is eliminated and revenues from printing and /or publishing newspapers becomes exempt from B&O tax.

An annual tax performance report is not required and there is no expiration for this new exemption.

EFFECTIVE DATE:
July 1, 2022

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

ASSUMPTIONS:
- The tax revenues received from newspaper printers and publishers mirrors the average annual growth for newspaper production as reflected in the November 2021 IHS Markit forecast.
- This legislation takes effect July 1, 2022, and impacts 11 months of collections in Fiscal Year 2023.

DATA SOURCES:
- Department of Revenue excise tax return data
- IHS Markit industrial production index for newspaper publishers November 2021 forecast

REVENUE ESTIMATES:
This bill decreases state revenues by an estimated $1 million in the 11 months of impacted collections in Fiscal Year 2023, and by $1.1 million in Fiscal Year 2024, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2022 - ($ 0)
FY 2023 - ($ 1,000)

FY 2024 - ($ 1,100)
FY 2025 - ($ 1,400)
FY 2026 - ($ 1,400)
FY 2027 - ($ 1,300)

There is no Local Government impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived . Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing

ASSUMPTIONS:
This legislation will affect 100 taxpayers.

FIRST YEAR COSTS:
The Department will incur total costs of $8,800 in Fiscal Year 2022. These costs include :

Object Costs - $8,800
- Contract computer system programming to expire a line code and add a new deduction code.

SECOND YEAR COSTS:
The Department will incur total costs of $40,200 in Fiscal Year 2023. These costs include :

Labor Costs - Time and effort equates to 0.27 FTE.
- Create a special notice and identify publications and information that needs to be created or updated on the Department's website.
- Respond to tax ruling requests, email inquiries, and phone calls.
- Amend excise tax advisory.
- Amend two administrative rules.

Object Costs - $8,800.
- Contract computer system programming to make changes to the annual tax performance report.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.1		
A-Salaries and Wages		19,400	19,400		
B-Employee Benefits		7,000	7,000		
C-Professional Service Contracts	8,800	8,800	17,600		
E-Goods and Other Services		3,200	3,200		
J-Capital Outlays		1,800	1,800		
Total $	$8,800	$40,200	$49,000		

III. B - 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 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	122,633		0.0	0.0		
EMS BAND 5	143,263		0.0	0.0		
MGMT ANALYST4	70,956		0.0	0.0		
TAX INFO SPEC 4	64,332		0.1	0.1		
TAX POLICY SP 2	72,756		0.0	0.0		
TAX POLICY SP 3	82,344		0.1	0.1		
TAX POLICY SP 4	88,644		0.0	0.0		
WMS BAND 3	104,295		0.0	0.0		
Total FTEs			0.3	0.2		

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

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

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