Individual State Agency Fiscal Note

Bill Number: SB 5199	Bill Title: AN ACT Relating to tax relief for newspaper publishers	Agency: 140 Department of Revenue

Part I: Estimates

[ ] No Fiscal Impact

Estimated Cash Receipts to:

Fund	Fiscal Year 2024	Fiscal Year 2025	2023-2025 Total	2025-27 Biennium	2027-29 Biennium
GF-State Business and Occupation Tax	(979,000)	(2,708,000)	(3,687,000)	(5,572,000)	(5,851,000)
Workforce Educ Invest Acct Business and Occupation Tax	(56,000)	(140,000)	(196,000)	(301,000)	(331,000)
Total	(1,035,000)	(2,848,000)	(3,883,000)	(5,873,000)	(6,182,000)

Estimated Expenditures from:

	Fiscal Year 2024	Fiscal Year 2025	2023-2025 Total	2025-27 Biennium	2027-29 Biennium
FTE Staff Years	1.4	.3	.85	.2	.2
Fund					
GF-State 001	248,100	31,200	279,300	42,400	42,400
Total	248,100	31,200	279,300	42,400	42,400

The revenue and expenditures 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:

[X] 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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Agency Approval	**Valerie Torres**	**Phone:**	**(360) 534-1521**	**Date:**	**1/11/2023**
OFM Review:		**Phone:**		**Date:**	

Part II: Narrative Explanation

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

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 deduction for amounts received from any of the following activities:
- Printing and/or publishing newspapers.
- Publishing “eligible digital content.”

This deduction expires January 1, 2035.

"Eligible digital content" is a publication:
- Published at regularly stated intervals at least once every three months,
- Having at least two but no more than fifty employees, at least one of whom creates content for the publication,
- Primarily featuring written content, the largest category of which contains material that identifies the author or the original source of the material, and
- Available to readers primarily or exclusively in an electronic format.

"Eligible digital content" excludes digital content created by a radio or television broadcaster.

EFFECTIVE DATE:
This bill takes effect on January 1, 2024.

II. B - Revenue Impact

ASSUMPTIONS
- The department identified publishers of "eligible digital content" using the industry classification for "internet publishing and broadcasting and web search portals" (NAICS 519130). This may include or exclude businesses not considered a publisher of "eligible digital content" under this bill. As a result, the actual tax impacts from "eligible digital content" publishers may substantially differ from this estimate.

- It is not clear from the bill language whether the two to fifty employee requirement only refers to those employees involved with a particular publication, or if the requirement refers to the total number of employees for the business. As written, the revenue impact could include businesses with more than fifty employees.
- The term “primary” means greater than 50%.
- Businesses whose employees are out-of-state could also qualify for the deduction if all other requirements are met.
- Growth rates for newspaper printers and publishers mimic the growth for newspaper production from the IHS Markit's November 2022 forecast.
- Growth rates for eligible digital content mimic the growth of the service and other activities B&O tax classification from the Economic and Revenue Forecast Council's November 2022 forecast.
- This legislation takes effect January 1, 2024, and impacts 5 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
- Economic and Revenue Forecast Council, November 2022 forecast

REVENUE ESTIMATES
This bill decreases state revenues by an estimated $1.035 million in fiscal year 2024 and then by $2.848 million in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2024 - ($ 1,035)
FY 2025 - ($ 2,848)
FY 2026 - ($ 2,903)
FY 2027 - ($ 2,970)
FY 2028 - ($ 3,049)
FY 2029 - ($ 3,133)

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

II. C - Expenditure Impact

ASSUMPTIONS:
- This estimate affects 400 taxpayers.

FIRST YEAR COSTS:
The department will incur total costs of $248,100 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 1.4 FTEs.
- Set up, program and test computer system changes for a new deduction added to e-file and the combined excise tax return, modifications to the buyer’s sales and use tax preference addendum and creation of a new tax preference report.
- 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.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Develop and maintain annual tax performance report questions.

- Amend one excise tax advisory.
- Amend two administrative rules.

Object Costs - $79,200.
- Computer system changes, including contract programming.

SECOND YEAR COSTS:
The Department will incur total costs of $31,200 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 0.3 FTE.
- Resolve additional return work items. Respond to email, web message, and paper correspondence inquiries. Answer telephone questions, monitor reports, and assist taxpayers with reporting.
- Develop and maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.

ONGOING COSTS:
Ongoing costs for fiscal year 2025-27 biennium equal $42,400 and include similar activities described in the second-year costs. Time and effort equate to 0.2 FTE per year.

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose:

	Fiscal Year 2024	Fiscal Year 2025	2023-2025 Total	2025-27 Biennium	2027-29 Biennium
Salaries and Wages	103,500	19,700	123,200	28,200	28,200
Benefits	34,200	6,500	40,700	9,200	9,200
Personal Service Contracts	79,200		79,200		
Supplies & Material	21,600	3,700	25,300	3,800	3,800
Office Equipment	9,600	1,300	10,900	1,200	1,200
Total	248,100	31,200	279,300	42,400	42,400

III. B - FTE Detail:

Job Classification	Salary	FY 2024 FTEs	FY 2025 FTEs	2023 - 2025 Total	2025 - 2027	2027 - 2029
EMS BAND 4	126,619	.01		.01		
EMS BAND 5	147,919	.01		.01		
EXCISE TAX EX 2	55,872	.1	.2	.15	.1	.1
IT SYS ADM-JOURNEY	92,844	.2		.1		
MGMT ANALYST4	73,260	.41		.21		
TAX INFO SPEC 4	66,420	.4		.2		
TAX POLICY SP 2	75,120	.01		.01		
TAX POLICY SP 3	85,020	.24	.1	.17	.1	.1
TAX POLICY SP 4	91,524	.01		.01		
WMS BAND 3	107,685	.01		.01		
Total		1.4	.3	.88	.2	.2

III. C - Expenditures by Program (optional):

	Fiscal Year 2024	Fiscal Year 2025	2023-2025 Total	2025-27 Biennium	2027-29 Biennium
Total					

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

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.

Revenue Impact Detail

			First Biennium		Second Biennium		Third Biennium	
FUND	SOURCE	CODE	1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR	6th YEAR
GF-State	Business and Occupation Tax	0105	(979,000)	(2,708,000)	(2,756,000)	(2,816,000)	(2,887,000)	(2,964,000)
Total			(979,000)	(2,708,000)	(2,756,000)	(2,816,000)	(2,887,000)	(2,964,000)
OTHER								
Workforce Educ Invest Acct	Business and Occupation Tax	0105	(56,000)	(140,000)	(147,000)	(154,000)	(162,000)	(169,000)
Total			(56,000)	(140,000)	(147,000)	(154,000)	(162,000)	(169,000)
Net			(1,035,000)	(2,848,000)	(2,903,000)	(2,970,000)	(3,049,000)	(3,133,000)

Revenue Impact - by Biennium

FUND	SOURCE	CODE	1st Biennium	2nd Biennium	3rd Biennium
GF-State	Business and Occupation Tax	0105	(3,687,000)	(5,572,000)	(5,851,000)
Total			(3,687,000)	(5,572,000)	(5,851,000)
OTHER					
Workforce Educ Invest Acct	Business and Occupation Tax	0105	(196,000)	(301,000)	(331,000)
Total			(196,000)	(301,000)	(331,000)
Net			(3,883,000)	(5,873,000)	(6,182,000)