

Reduced B&O Rate for Printing and Publishing Newspapers

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2021-23 beneficiary savings: \$823,000

B&O Tax

Preference provides tax relief, but the newspaper industry continues to struggle financially



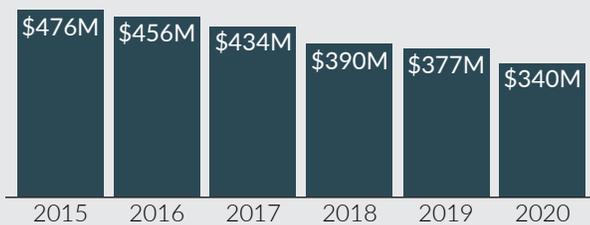
Preference is scheduled to expire July 1, 2024.

The preference reduces the B&O tax rate for businesses that print or publish newspapers. The reduced rate applies to advertising and subscription revenue and is available to businesses producing materials meeting the statutory definition of newspaper. It is not available for businesses that only produce digital content.

If Washington's newspaper industry achieves positive revenue growth for at least three years, the Legislature stated it intends to let the preference expire. While the preference provides tax relief, **newspapers in Washington continue to struggle financially**. This trend parallels the industry's nationwide \$1.9 billion annual revenue decline since 2015.

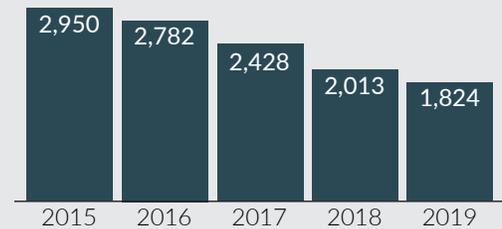
Revenue is declining

Gross revenues for newspaper printers and publishers using the preference fell by an average of \$27 million per year, between 2015 and 2020.



Jobs are declining

Employment at newspapers using the preference fell by an average of 282 positions per year between 2015 and 2019.



While the full impact of the COVID-19 pandemic on WA newspapers is unclear, it may have contributed to additional financial instability.

Washington newspapers are experimenting with other funding sources. Other jurisdictions do not limit support to print newspapers.

Some larger WA newspapers secured funding from non-profit organizations or other entities to fund reporting. **Smaller newspapers** are pursuing community engagement approaches. It is too early to tell whether these efforts will succeed and be adopted more broadly.

New Jersey and Colorado use grant-funding to support local journalism by training journalists, supporting collaboration across media organizations, and enhancing community engagement.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Review.

The Legislature should review this preference to determine if it provides sufficient relief to newspaper printers and publishers, and whether additional assistance is needed while these businesses stabilize financially.

The preference has been in place for 12 years and the newspaper industry continues to lose revenue and jobs. **If the Legislature is interested in helping the news industry more broadly, it should consider additional approaches.**