



House Bill 1776, Printer's No. 3369
House of Representatives, Finance Committee
Hon. Kerry Benninghoff, Chairman

Bernard Oravec, Publisher
Williamsport Sun-Gazette
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This legislation would impose the rtatc sales and use tax at the rate of 7% on numerous goods and services not currently taxed in Pennsylvania by means of repealing exemptions found in the Tax Code. The bill would impose the tax on newspaper sales, production, and advertising. Most states do not charge the sales tax when consumers buy a daily or weekly newspaper, nor do they tax newspapers on their circulation revenue. PNA believes that such taxes are bad for business and bad for democracy.

Sales and circulation taxes stifle the free flow of information. Newspapers report on events of state and national interest, government activities, and events in their communities and around the world. Imposing a sales tax on newspapers amounts to taxation of information and free speech. Ideas should not be taxed.

The cost of administering and collecting a tax on newspapers would be high, for a limited return. The tax would create an administrative hardship on thousands of newspaper carriers, including retirees who deliver newspapers to supplement their income, and boys and girls ages 11 through 18. As independent contractors for their local papers, they purchase the papers they deliver at wholesale for delivery and sale to their customers. These contractors would doubtless lose customers if forced to collect a new tax, and would face the choice of absorbing the tax and losing income, or serving as a tax collector for the state.

Many daily newspapers derive much of their circulation revenue from news rack sale.; It would be impossible to adjust coin boxes to collect the sales tax, particularly with local county tax options in place. This would force newspapers to raise prices or absorb the cost of the tax. Declining sales and revenue would be the result here as well.

Retailers lose a vital resource when newspaper circulation declines. Adding 7% or more to the cost of a newspaper, regardless of whether it is sold in a store, from a news

rack or by subscription, would reduce circulation and, in a chain reaction, reduce the distribution of advertising by retail merchants who rely on newspapers to reach local customers, and harm local economics.

A tax on "advertising" would have a significant adverse impact on newspapers and on society. The tax on advertising in this bill would not apply to "business to business" advertising, but it does not define the term. Is the advertising circulated with a newspaper exempt, because the advertiser has chosen to deal with another business- the newspaper? Or is it subject to the tax, since it is distributed to the general public? Will the Department of Revenue decide this by regulation? If the purchaser of the paper and advertising is a business, does the tax on advertising apply? What about advertisements on Internet websites? Florida tried to tax advertising in 1999 and repealed it less than one year later, after discovering it to be a regulatory nightmare.

Singling out newspapers for a sales tax without imposing that tax on other methods of distributing news and information would be inappropriate and unfair.

Newspapers already pay their fair share of taxes, including property tax, corporate net income tax, capital stock and franchise tax, as well as other taxes imposed on businesses

Because the bill would curtail current Tax Code regulations addressing production and resale, it would also impose the sales tax, for the first time, on the cost of our raw materials, paper and ink, in addition to taxing our print product. This would leverage the unfair advantage created in the bill for other distribution methods.

The Pennsylvania Newspaper Association (PNA) is a non-profit, dues-supported association with 310 newspaper and affiliate members who employ nearly 15,000 people in the Commonwealth. Its mission is to protect freedom of the press and promote members' business interests and professional development. Our members believe that their role as participants in the free-market economy and advocates for our Constitutional protections both complement and support each other.

Newspapers report on events of state and national interest, on government activity, and on events in their communities and around the world, PNA notes the time-honored status of our free press as the only form of business specifically identified in the United States Constitution. We consider any tax imposed on the sale of newspapers to be a tax on the free flow of information in our society, and contrary to the public interest, and we oppose House Bill 1776.

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Contact:
Deborah Musselman,
Director of Government Affairs
(717) 703-3077
deborahm@pa-news.org