

DRAFT--FOR DISCUSSION PURPOSES ONLY

Online Newspaper Taxation

Newspapers serve our democratic society by vigilantly protecting the people's right to know. Newspapers provide local news, information, and editorial comment to communities and enhance the literacy of the population. Because of these and other reasons, the overwhelming majority of states—32—have elected to exempt newspaper circulation income for the tangible product from sales tax on all forms of delivery: home, rack, and mail subscription.

The reasons for exempting the tangible newspaper from sales tax also apply for online newspapers. Moreover, the number of states exempting online newspaper subscriptions from sales tax is even larger. It appears only four states (Connecticut, Hawaii, South Dakota, and Texas) and the District of Columbia impose a tax on online newspaper subscriptions. In those jurisdictions, online newspaper subscriptions are taxed under the category of information services.

It is important to note that only two national online newspapers have a subscription fee.

The Wall Street Journal Online is an electronic version of their print product providing news and analysis that is continually updated. In addition to other information, it provides access to a 30-day archive of previous print Journal stories as well as in-depth financials for nearly 30,000 companies. The subscription fee is \$49 per year for current subscribers of the print Journal and \$99 per year for non-subscribers of the print Journal.

On September 19, 2005, the New York Times introduced The TimesSelect. This new product offers subscribers exclusive online access to the voices of the Op-Ed, Business, Metro and Sports columnists of the New York Times and the International Herald Tribune. It also features enhanced access to The Times' extensive archives initially dating back to 1981. This subscription provides access to columnists and archived information while the remaining portions of the New York Times are free of charge. The TimesSelect is free of charge to current subscribers to the print version of the newspaper and is available to non-subscribers of the print version at \$49 per year.

At the state and local level, some newspapers offer an electronically delivered replica of their print edition. In many cases this delivery option is free of charge to current subscribers of the print version and may require a nominal fee for non-subscribers. Others offer this form of delivery to current print version subscribers for an additional nominal fee, such as \$1.00 per week. Other local online newspapers provide sports or weather statistics for a small subscription fee. They focus on a particular category of information and do not include a replica of the information contained in the hard copy product.

The majority of all other online newspapers are free products, which may require registration information, and have limited interest nationwide. They report local news and events, with editorial comment being the majority of the online newspaper's content. In some cases, they focus on a local high school or college sports team. The tangible newspaper and its online version have close ties to the community and in many cases have developed literacy or Newspapers In Education programs, providing another public service to the communities they serve.

For the reasons stated above, online newspapers should not be defined in the Streamlined Sales Tax Agreement.