



Business & Occupation(B&O) Tax and My Business

Maureen O'Connell, September 24, 2016



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Introduction – Washington's Tax Structure

- Three Major Types of Taxes
 - Income Taxes
 - Property Taxes
 - Excise Taxes

Washington does not impose an income tax.

Washington's tax structure is primarily based on various excise and property taxes.

What is an Excise Tax

- Generally, it is a tax on specific type of transactions or privilege.
- Retail Sales Tax is the largest excise tax levied in Washington (a consumer based tax)
- The Business & Occupation (B&O) tax is the major business tax in Washington collected by the Department of Revenue
- Property Tax and Personal Property tax administered by the county in which the property is located

What is Business & Occupation (B&O) Tax?

- The Business & Occupation tax is:
 - A gross receipts tax
 - Intended to be a cost of doing business
 - The majority of businesses are subject to this tax
- Examples of specific business exempt from the B&O tax:
 - Certain farming activities
 - The sale or long term rental of real estate (non-lodging)
 - Certain small timber harvesters

What is the Measure of this Tax?

- B&O tax is computed on the selling price or gross contracted price:
 - Selling price is defined to be all “consideration” received by the seller from the buyer
 - Includes labor and services
- **There are no deductions from the B&O tax for costs of doing business**
- The deductions that are available on based on specific transactions.

B&O Tax Classifications

- Choosing the right B&O tax classification(s) to file under is based on the business activity being conducted. Some businesses will only file under one classification. While others have multiple classifications due to the different types of sales or services they offer to their customers. For example a retail business may also sell at wholesale or even provide a non-retail service.

Most Common B&O Taxes & Rates

- Retailing Rate - .471%
- Wholesaling Rate - .484%
- Manufacturing Rate - .484%
- Service & Other Activities Rate - 1.5%
- Other specialized B&O tax rates range between .13% - 1.63% with the highest rate being 3.3% for Radioactive Waste Disposal

Retailing B&O Tax (.471%)

What is Retailing?

- Sales of tangible personal property or services specifically identified by statute as being retail services provided directly to the end consumer as defined in RCW 82.04.050

Wholesaling B&O Tax (.484%)

What is wholesaling?

- Sales that would otherwise be considered retail sale that are sold to other businesses that will resell the item in the regular course of their business activity without intervening use
- Sellers must document the sales tax exempt purchase by obtaining the buyer's **Reseller Permit** issued by the Department of Revenue.

Manufacturing B&O Tax (.484%)

What is Manufacturing?

- It is the application of labor and skill to materials to produce a new, different, or useful article for sale or commercial or industrial use
- Manufacturers will generally be subject to multiple classification of the B&O tax because they are conducting both the business activity of manufacturing and the activity of selling the item that was manufactured either at a wholesale or retail level

Service & Other Activities B&O (1.5%)

- What is service & other activities?
 - Personal and professional services or any other business activity not clearly identified in any other specific B&O tax classification (default classification)
 - Examples:
 - Doctors/lawyers/architects
 - Accountants/bookkeepers
 - Beauticians/estheticians/barbers & Dog groomers

Other B&O Tax Classifications

- Extracting/Extracting for hire
- Insurance Agents/Title Insurance Agents
- Printing & Publishing
- Royalties
- Child Care
- Travel Agent Commissions/Tour Operators
- Government Contracting
- Public Road Construction
- Radioactive Waste Disposal

Public Utility Tax (PUT) Instead of B&O

- In lieu of the B&O Tax some business are instead subject to Public Utility Tax (PUT)
 - Public and privately owned utilities
 - Sewer
 - Water Distribution
 - Power
- Motor and/or Urban Transportation
 - Trucking and other companies that provide transport of persons or property for hire

When do I pay my taxes?

- After registering your business the Department will determine your reporting frequency based on the information provided in your Business License Application regarding your estimated annual gross income and the type of business activities you intend to conduct
- There are 4 filing frequencies that can be assigned by the Department – monthly, quarterly, annual, and active non-reporting

Small Business Tax Credit (SBC)

What is the Small Business Tax Credit (SBC)

- All businesses are potentially eligible for the SBC. How much credit they are eligible for depends on their filing frequency and the amount of total B&O tax owed
 - Monthly filers \$0 - \$36 full SBC \$36 - \$71 partial SBC
 - Quarterly filers \$0 - \$106 full SBC \$106 - \$211 partial SBC
 - Annual filers \$0 - \$421 full SBC \$421 - \$841 partial SBC
- When filing electronically the SBC will automatically be calculated

Registration with the Department of Revenue

- You must register if any of the following apply to your business:
 - You make taxable retail sales or provide retail services or are required to pay any other taxes to the Department
 - Your gross annual income is over \$12,000.00 (unless you are making retail sales)
 - You are required to obtain a specialized license , including renewable licenses
- Most business are required to be registered with the Department of Revenue

How to Register your Business

- Complete a Business License Application
 - Online at www.bls.dor.wa.gov
 - In person at a local office of the Dept of Revenue, Secretary of State, Dept of Labor and Industries, or Employment Security
 - By Mail

Services offered by the Dept. of Revenue

- Telephone Information Center (Taxes) 800-647-7706
- Business Licensing Telephone Center 800-451-7985
- Written Advice
- Tax Workshops
- Taxpayer Rights Advocate Service
- Publications
- Speakers Bureau
- Internet – www.dor.wa.gov & www.bls.dor.wa.gov
- Electronic filing
- Business Licensing & renewals

Questions?

