



Quarterly 2014

Combined Square Footage Business Tax Computation Worksheet for Taxpayers

Businesses located outside Seattle or exempt businesses do not need to complete this worksheet. Businesses, with no business activity for the quarter, conducting business entirely within Seattle (no shipments or services outside Seattle), or reporting under an approved alternate method, should check the box on the tax return that you are entitled to a 100% credit against any square footage business tax owing and need not complete this worksheet.

I. Compute the square footage business tax before credits.

- Line 1** Business Floor Space _____ (Sq. Ft.) X \$.44 = _____
(Enter this information on line 8, column G & I of the business license tax return.)
- Line 2** Other Floor Space _____ (Sq. Ft.) X \$.15 = _____
(Enter this information on line 9, column G & I of the business license tax return.)
- Line 3** Total Square Footage Tax due (add lines 1 and 2). _____
(Enter the results on line 10, column I of the business license tax return.)

II. Compute the square footage business tax credit.

A. Compute the service income difference. **Disregard this section A. if you had no service income.**

- Line 4** Service income subject to tax under [SMC 5.45.080](#) (pre-2008 method).* _____
- Line 5** Service income subject to tax under [SMC 5.45.081](#).** _____
(Use the new [two factor formula](#) using revenue and payroll.)
- Line 6** Subtract line 5 from line 4. _____

B. Compute the retailing/wholesaling difference. **Disregard this section B. if you had no sales income.**

- Line 7** Retail/wholesale sales delivered within Washington that have not been taxed under an eligible gross receipts tax.*** _____

C. Compute the credit percentage.

- Line 8** Amount of total sales and service gross income generated by Seattle location(s).**** _____
- Line 9** Total revenue to be deducted from gross income (add lines 6 and 7).
If the result is negative, enter zero. _____
- Line 10** Adjusted gross income (subtract line 9 from line 8). _____
- Line 11** Percentage to be credited against the square footage business tax (divide line 10 by line 8). _____%
- Line 12** Square footage business tax credit (multiply line 11 by line 3). _____
(Enter the results on line 11, column I on the business license tax return.)
- Line 13** Square footage business tax due before maximum square footage tax credit (subtract line 12 from line 3). _____

RETAIN THIS WORKSHEET WITH YOUR TAX RECORDS

* [SMC 5.45.080](#) requires businesses with only an office or place of business location within Seattle to report all gross income derived from the business activities rendered by, generated from, or attributable to the office or place of business located within the City. If services are delivered outside of Washington and nexus is created with the taxing jurisdiction outside of Washington then a portion of the out of state service can be excluded by use of a two factor formula. If this applies, contact Licensing & Tax Administration @ (206) 233-7095. If the business has more than one office, with offices located within Seattle and outside of Seattle and separate accounting is not appropriate, then cost apportionment must be used to compute this number. Separate accounting is appropriate if the same activities take place in each office. If one office contains the management or accounting functions and the other office does not, then separate accounting is not appropriate.

**[SMC 5.45.081](#), which reflects new State law, requires businesses to apportion their income using a fraction, the numerator of which is the payroll factor plus the service and other business activity income factor and the denominator of which is two (2).

1. The payroll factor is a fraction, the numerator of which is the total amount paid for compensation in the city during the tax period by the taxpayer and the denominator of which is the total compensation paid everywhere during the tax period. Compensation is paid in the city if:

- a. The individual or employee is primarily assigned within the city;
- b. The individual is not primarily assigned to any place of business for the tax period and the employee performs fifty percent (50%) or more of his or her service for the tax period in the city; or
- c. The individual is not primarily assigned to any place of business for the tax period, the individual does not perform fifty percent (50%) or more of his or her service in any city, and the employee resides in the city.

2. The service and other business activity income factor is a fraction, the numerator of which is the total service and other business activity income of the taxpayer in the city during the tax period, and the denominator of which is the total service and other business activity income of the taxpayer everywhere during the tax period. Service and other business activity income is in the city if:

- a. The customer location is in the city; or
- b. The income-producing activity is performed in more than one (1) location and a greater proportion of the service-income-producing activity is performed in the city than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or
- c. The service and other business activity income producing activity is performed within the city, and the taxpayer is not taxable in the customer location.

***This equals the sales delivered within Washington minus Seattle sales and sales taxed by other Washington B & O tax cities. It should correspond to the intrastate amount entered as a deduction on your tax return under the retailing or wholesaling classification.

****This equals the sum of all retail and wholesale sales generated from Seattle activity, plus service revenue calculated under SMC 5.45.080

Business floor space - means rentable square feet of an office or place of business and includes the proportionate share of the building service areas such as lobbies, corridors and other common areas in a building. The rentable square footage shall be computed by measuring to the inside finish of permanent outer building walls and shall include space used by columns and projections necessary to the building. Business floor space does not include vertical penetrations through the building such as stairs, elevators, or heating, ventilation, air conditioning, utility, or telephone systems. Business floor space does not include other floor space as defined below. If the business floor space is owned by the taxpayer, the business floor space will be calculated in the same manner as above and as if the area was rented. Home businesses should use the area claimed for IRS purposes or if none claimed, then the actual square feet used for business purposes.

Other floor space - means rentable square feet used for dining areas, exercise areas, or warehouse space.

1. "Dining area" means any space used exclusively by employees for the purpose of purchasing, preparing, or consuming meals.
2. "Exercise area" means any space used exclusively by employees for the purpose of physical exercise not related to an employee's normal job duties.
3. "Warehouse space" means any space used exclusively for the storage of merchandise or commodities. It does not include merchandise display areas. Display areas are part of the business floor space.

Other floor space will be measured in the same manner as business floor space whether owned or rented.