



THE CITY OF SEATTLE - REVENUE and CONSUMER AFFAIRS

BUSINESS LICENSE TAX

Please read the following very carefully before completing your Seattle business license tax return.

Increase in the tax threshold amount

Effective January 1, 2008, the *annual* business license tax threshold increased from \$50,000 *annual* taxable revenue to \$80,000 *annual* taxable revenue. Therefore, if your annual taxable revenue is less than \$80,000, you will not owe any business license tax. You must still complete and file your Seattle tax return by the applicable due date. If you are a business that files quarterly but does NOT annually gross at least this amount of revenue, please contact our office at rca.bizlictx@seattle.gov or 206-684-8484 and request to be changed to an annual filing status.

New Square footage business tax (Effective only for tax periods after 12-31-07)

Businesses exempt from the square footage business tax

If any of these exemptions apply then check the box that you are exempt.

1) Businesses exempt because they are located outside of Seattle. The square footage business tax only applies to businesses that maintain a business location within Seattle. Businesses whose only location(s) are outside of Seattle do not report or owe any square footage business tax. A business maintains a business location if they own or rent/lease property within the city even if for a short period of time. (If you rent or own for less than a year, prorate your square footage business tax using a ratio of rental days divided by 365.)

2) Businesses exempt because of activity type. Banks, insurers, and persons who only sell liquor or motor vehicle fuels are exempt. Also, businesses that conduct only the following activities are exempt from the square footage business tax: *manufacturing, printing, tour operator, processor for hire, transporting freight for hire, manufacturing flour, and wholesaling grain.* Persons engaging in these activities and also engaged in other business activities that are subject to the square footage business tax will only pay tax on the square footage used for the taxable business activities.

Businesses entitled to 100% credit against the square footage business tax

If any of the following applies, check the box on the tax return that you qualify for a 100% credit against the square footage business tax.

1) No business activity. If your business is located in Seattle, but conducted no taxable business activities then no business license tax or square footage business tax is due. Enter your gross receipts, if any, and put in zero for the business license tax owing. Check the box on the tax return that you qualify for a 100% credit against any square footage business tax owing.

2) All business conducted within Seattle. You owe no square footage business tax, if your business is located in Seattle and delivers ALL sales, or provides ALL services inside of Seattle. Generally, this includes any Seattle business where the customer picks up the goods or receives the service within Seattle such as restaurants; barbers; cosmeticians; tax preparers; bookkeepers; grocery stores, convenience stores and other retail stores where the goods are picked up at the store within Seattle. Under these circumstances, you have not received a tax benefit under the new allocation and apportionment methods contained in RCW 35.102.130 and therefore are entitled to a 100% credit against the square footage business tax. Check the box on the tax return that you qualify for a 100% credit against the square footage business tax.

3) New method does not fairly represent. Pursuant to RCW 35.102.130 (1)(b) and RCW 35.102.130(c) businesses that believe that the new allocation and apportionment method does not fairly represent the extent of the taxpayer's business activity within the city may petition to the Director to continue to report their business license tax under the code sections applicable to periods prior to January 1, 2008. If businesses located in Seattle report their business license tax under the code sections applicable to periods prior to January 1, 2008, then they are entitled to a 100% credit against their square footage business tax since they have not benefited under the new allocation and apportionment method. Check the box that you qualify for a 100% credit against the square footage business tax.

Home businesses should use the square footage they have recognized for the home office deduction for IRS purposes. If none is recognized for IRS purposes, then use the square footage used in conducting business activities within the home.

Additional information on square footage business tax, examples and "worksheets" can be obtained at www.seattle.gov/rca/ and then select Square footage business tax from the center column.

What is the new allocation and apportionment method?

RCW 35.102.130 requires Seattle retailers and wholesalers to allocate goods sold to the location where delivery to the buyer is made. Seattle businesses that deliver goods outside Seattle but within Washington may now deduct such "intrastate" sales to arrive at their taxable sales. Businesses have always been able to deduct interstate sales (sales delivered by the seller to a place outside of the state).

RCW 35.102.130 also provides service businesses a new two-factor apportionment formula to compute their Seattle business license tax. The two factors are: "payroll", and "service income". A work sheet to compute the two-factor formula is provided on our website at www.seattle.gov/rca/. When using this method, worksheets to compute the square footage business tax and tax credits are also contained on the website.

Seattle businesses that report using the new allocation and apportionment method contained in RCW 35.102.130 will pay the square footage business tax on the same percentage basis as they benefit from the new method. In other words, if the new allocation and apportionment method reduces your business license tax by 25%, then you will pay 25% of your square footage business tax and take a credit for 75% of your square footage business tax. Worksheets have been designed to help you compute the correct amount of square footage business tax for those businesses that choose to use the new method of allocation and apportionment.

Employee Hours Tax

Effective July 1, 2007 the City of Seattle implemented the Employee Hours Tax. After reviewing the remitted 2007 employee hours tax forms, the City found that business made a number of common reporting errors:

(1) The Employee Hours Tax Credit (\$50 credit per business) was not deducted from the total tax due, creating an overpayment of tax;

(2) Businesses reported employee hours for the entire year of 2007, rather than the hours from July 1st through December 31st. In 2008 and thereafter the hours are based on a total calendar year;

(3) Businesses reported under both the Employee Hours Method AND the Full-Time Taxable Equivalents Method on the tax form. Businesses should only be reporting under one of these categories; not both.

The City encourages all businesses to review their 2007 Employee Hours Tax form to make certain any/all of the above mistakes were not made. If a business finds it has under/over reported, the business should file an amended return. Please email rca.bizlict@seattle.gov to request additional information on how to file an amended return.

SELF – The Seattle Electronic Filing System

The City encourages as many businesses as possible to try our online filing system. Filing online steps you through the reporting process, and many taxpayers report that it is much easier and more informative than manual reporting. Payments for online filing can be made via various methods, including by check and voucher. The following can now be accomplished online:

1. You can file for a new business license or branch license online or renew existing business licenses.
2. You can file business license taxes and square footage business taxes online.
3. You can file the employee hours tax online.
4. You can file the occupational utility tax online.

If you have yet to take advantage of this convenient system, please register now using your customer number and an obligation number. Once registered you can utilize this system to renew your business license, update addresses and phone numbers as well as change your business trade name.

To log-in and register your business visit the SELF website: <https://dea.seattle.gov/self/>

Training classes offered

Training classes for the square footage business tax, new apportionment and allocation requirements, employee hours tax, and business license tax are now available. Dates for the training classes are July 7 and 18.

To register, please call 206 233-3789.

HAVE QUESTIONS? -- CALL EARLY!

Information line (206) 684-8484 or fax (206) 684-5170

Email – rca.bizlict@seattle.gov