



THE CITY OF SEATTLE - REVENUE and CONSUMER AFFAIRS

BUSINESS LICENSE TAX

Changes to Taxation of Internet Service and Access Charges

Effective July 1, 2008, the provision of internet access is no longer subject to Seattle Business taxes in accordance with the federal moratorium against the imposition of state and local taxes on Internet access. The legislation originally enacted by the 1998 Internet Tax Freedom Act (ITFA) was extended by the Internet Tax Nondiscrimination Act (ITNA), and has now been extended again, until November 1, 2014, under the federal Internet Tax Freedom Act Amendments Act of 2007 (Public Law 110-108) (ITFAA).

Under the federal Internet Tax Freedom Act Amendments Act of 2007, the grandfather provision that allowed the City of Seattle to tax internet service, access charges under the business license tax and to tax companies providing internet access transmission activities under the utility tax, expired June 30, 2008.

Commercial Parking Tax

The City of Seattle Commercial Parking Tax went into effect on July 1, 2007. Please note, effective July 1, 2008 the Parking tax rate went from 5% to 7.5%. The parking tax imposes a tax as authorized in RCW 82.80.030 for the act or privilege of parking a motor vehicle in a commercial parking lot within the City of Seattle. The parking tax is imposed on the vehicle driver and collected on behalf of the City by the commercial parking lot business. Any person charging fees to vehicle drivers for the act or privilege of parking motor vehicles is subject to the tax. The parking tax may also be due when a parking fee is combined with other payments such as lease payments or rent, or is otherwise not separately stated, or does not result from an arm's length transaction, or does not fairly reflect the value of the act or privilege of parking. Please be aware that if you have parking spaces that are included in or part of your building lease or rent payment, you may have a Commercial parking tax liability. Please review Seattle rule 5-925 Seattle Parking Tax computation at: <http://clerk.ci.seattle.wa.us/~finance/finhome.htm>. Additional information about the Parking tax may be found at: <http://www.seattle.gov/rca/taxes/CommParkingTax.htm>

You can now file your Employee Hours Tax online!

Any business that still needs to file its 2007 Employee Hours Tax is encouraged to take advantage of the Seattle Electronic Filing system (SELF) to do so. A return needs to be filed by all businesses licensed to do business within the City of Seattle whether or not you owe the tax. If you do not owe tax, no late penalty will be due. To access the online filing system go to: <http://www.seattle.gov/rca/> and click on the link for Online Business Tax Filing.

The 2007 Employee Hours Tax was due January 31, 2008. The 2007 tax period was July 1, 2007 through December 31, 2007. The Employee Hours Tax is an annual tax. The 2008 Employee Hours Tax will be due January 31, 2009. More information concerning the employee hours tax can be found at: <http://www.seattle.gov/rca/taxes/EmployeeHoursTax.htm>

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 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 on and register your business, visit the SELF website: <https://dea.seattle.gov/self/>.

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

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. In addition, 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 for the quarter. 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. If this credit applies, but you conduct business within other quarters during the year, you will have to reconcile your square footage tax on an annual basis at the end of the year.

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.

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.

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 September 23, October 17, and October 27. Please reserve your space by calling Carmela Paul at 206 233-3789.

Need Volunteers to help Simply Business License Tax Form. Revenue and Consumer Affairs is looking for volunteers to participate in a focus group to help simplify the business license tax form. If you are interested, please call Mel McDonald at 206-233-0071. Group will meet in late September and early October.

HAVE QUESTIONS? -- CALL EARLY!

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

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