



Important Revenue Sourcing Change Effective January 1, 2008

(See www.seattle.gov/rca/ for much more information on these new tax changes.)

In 2003, the Washington State Legislature passed HB 2030 (codified as RCW 35.102), which placed new requirements on Washington cities that impose a tax based on gross receipts. Beginning on January 1, 2008, RCW 35.102 requires businesses operating within gross receipts Business and Occupation (B & O) tax cities to assign their sales of tangible personal property to the place of delivery for taxation purposes. Gross income derived from activities taxed as services under SMC 5.45.050G (service and other income) shall be apportioned to the City by multiplying apportionable service income by a fraction, the numerator of which is the payroll factor plus the service-income factor and the denominator of which is two. The payroll factor will be computed as a fraction, with the numerator being the total amount of employee compensation paid in the city during the tax period by the taxpayer and the denominator being the total employee compensation paid everywhere during the tax period. The service income factor also is a fraction, the numerator being the total service income of the taxpayer in the city during the tax period, and the denominator being the total service income of the taxpayer everywhere during the tax period. For more information concerning the apportionment provisions, please review RCW 35.102.130. Please note that these changes only apply to municipal B&O taxes and take effect for tax periods beginning January 1, 2008.

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 and do not complete any other lines regarding the square footage tax.

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 ALL sales and services are delivered or provided 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; 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.

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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/. Select Square footage business tax from the center column.

Increase in the tax threshold amount

Effective January 1, 2008, The City of Seattle 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 tax return by the applicable due date. The form must be submitted by the due date of January 31, 2009.

Changes regarding the Taxation of Internet Access

Effective July 1, 2008, 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, originally enacted by the 1998 Internet Tax Freedom Act (ITFA) and 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 Access under the Seattle gross receipts or B&O tax, and to tax telecommunications service purchased, used, or sold by a provider of Internet access, expired June 30, 2008.

Training classes offered

Training classes for the square footage business tax, new apportionment and allocation requirements, employee hours tax, and business license tax are available. Dates for the training classes are January 16 and 22. To register, please call 206 233-3789.

File Online – Filing is easier using 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.

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/>

Please direct general correspondence such as amended returns, refund requests, notices of closure, change of address, or general questions on tax or license issues to:

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