



Service Income Apportionment Worksheet

Why complete this worksheet in addition to your tax form? Effective January 1, 2008, the method used to allocate and apportion your revenue between locations for business & occupation (B&O) taxes changed to comply with RCW 35.102.130. This new method uses a two-factor formula to determine how income taxable under the city's service and other B&O tax classification is apportioned between multiple locations when a taxpayer is engaging in business in more than one jurisdiction.

Who should complete the apportionment worksheet? Only those taxpayers that earn gross receipts from activities subject to a city's service and other B&O tax classification and which have a taxable presence in more than one jurisdiction need to complete the worksheet.

I. Calculate Apportionable Gross Service Receipt

- 1a Enter total gross service receipts _____
- 1b Deduct: Deductible service gross receipts _____
- 1c Total service receipts (subtract line 1b from line 1a) enter amount on this line _____

II. Calculate Payroll Factor

- 2a Enter total payroll costs within Seattle _____
- 2b Enter total payroll costs _____
- 2c Payroll factor (divide line 2a by line 2b) enter amount on this line _____

III. Calculate Service-Income Factor

- 3a Enter total service receipts sourced to Seattle (before deductions) _____
- 3b Enter total gross service receipts (same as amount on line 1a) _____
- 3c Service income factor (divide line 3a by 3b) enter amount on this line _____

IV. Calculate City Taxable Service Receipts

- 4 **Total apportionment factor** (add lines 2c & 3c) enter on this line _____
- 5 Enter the number 2 (two-factor) or the number 1 (one-factor, if no payroll)* _____
- 6 Divide line 4 by line 5 (overall apportionment factor) _____
- 7 **City taxable service receipts** (multiply line 1c by line 6) enter a amount on this line _____
AND on your Tax Return line 5, column A and C _____

Services and Other Apportioned to a city by multiplying service income by a payroll factor (based on the payroll within the jurisdiction), plus the service-income factor (based on the income producing activity attributable for tax purposes within the jurisdiction), divided by two.

Formula example:

$$\begin{aligned} & \text{Total Taxable Service Income} \times \frac{(\text{Payroll Factor} + \text{Service Income Factor})^*}{2} \\ & \text{Payroll Factor} = \frac{\text{City Compensation Paid}}{\text{Total Compensation Paid Everywhere}} \\ & \text{Service Income Factor} = \frac{\text{Service Income In City}}{\text{Total Service Income Everywhere}} \end{aligned}$$

*If a business has no employees in any location, such as a sole proprietorship without any employees, then the payroll factor is zero and the apportionment reverts to a single factor formula using the service factor only. In this case divide the service factor by 1.