



## 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 (excluding Interstate) \_\_\_\_\_
- 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 mount 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.