

## Seattle Rule 5-521

Stock Brokers and Security Houses

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(1) Introduction. With respect to stockbrokers and security houses, "gross income of the business" means the total of gross income from interest, gross income from commissions, gross income from trading and gross income from all other sources. Provided that:

(a) Gross income from each account is to be computed separately and on a monthly basis;

(b) Loss sustained upon any earnings account may not be deducted from or offset against gross income upon any other account, nor may a loss sustained upon any earnings account during any month be deducted from the gross income upon any account for any other month;

(c) No deductions are allowed on account of salaries or commissions paid to employees or salespersons, rent, or any other overhead or operating expenses paid or incurred, or on account of losses other than under (b) above;

(d) No deductions are allowed from commissions received from sales of securities which are delivered to buyers outside the state of Washington.

(2) Business and Occupation Tax. Revenue from the following transactions are taxable under the service classification:

(a) Gross income from interest. Gross income from interest includes all interest received upon bonds or other securities held for sale or otherwise, excepting only direct obligations of the federal government and of the State of Washington. No deduction is allowed for interest paid out even though such interest may have been paid to banks, clearing houses or others upon amounts borrowed to carry debit balances of customers' margin accounts.

Interest accrued upon bonds or other securities sold shall be included in gross income where such interest is carried in an interest account and not as part of the selling price. Conversely, interest accrued upon bonds or other securities at the time of purchase may be deducted from gross income where such interest is carried in an interest account and not as a part of the purchase price.

(b) Gross income from commissions. Gross income from commissions is the amount received as commissions upon transactions for the accounts of customers over and above the amount paid to other established security houses associated in

such transactions: Provided, however, that no deduction or offset is allowed on account of salaries or commissions paid to salespersons or other employees.

(c) Gross income from trading. Gross income from trading is the amount received from the sale of stocks, bonds and other securities over and above the cost or purchase price of such stocks, bonds and other securities. In the case of shortsales, gross earnings shall be reported in the month during which the transaction is closed, that is, when the purchase is made to cover such sales or the short sale contract is forfeited.

(d) Gross income from all other sources. Gross income from all other sources includes all income received by the taxpayer, other than from interest, commissions and trading, such as dividends upon stocks, fees for examinations, fees for reorganizations, etc.

(3) Apportionment. Stockbrokers and security houses engaging in business in and outside the City are required to apportion income for business license tax purposes.

(a) For tax periods beginning on and after January 1, 2008. Effective January 1, 2008, taxpayers who report income under the Service and Other Activities tax classification per SMC 5.45.050(G) must apportion their income under the two-factor method provided in SMC 5.45.081 and prescribed by RCW 35.102.130. This includes stockbrokers and security houses.

(b) For tax periods prior to January 1, 2008. Taxpayers who reported income under the Service and Other Activities tax classification per SMC 5.45.050(G) were instructed which revenues would be assigned to the City under SMC 5.45.080. Taxpayers may refer to Rule 5-032 for additional information on assigning revenue prior to January 1, 2008.

#### DIRECTOR'S CERTIFICATION

I, Glen Lee, Finance Director of the City of Seattle, do hereby certify under penalty of perjury of law, that the within and foregoing is a true and correct copy as adopted by the City of Seattle, Department of Finance and Administrative Services.

DATED this \_\_\_\_\_ day of September 2014.

CITY OF SEATTLE,

a Washington municipality

By: \_\_\_\_\_

Glen Lee, Finance Director

Department of Finance and Administrative Services

Effective date: September 16, 2014

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