

Instructions for Service Income Apportionment Worksheet

I. Gross Service Receipts

Line 1a: Insert the total gross service receipts for your business.

Line 1b: Insert the amount of receipts deductible under SMC 5.45.100 Deductions. (This worksheet apportions worldwide service income.)

Line 1c: Subtract line 1b from line 1a and enter this amount on line 1c. This is your total apportionable service receipts.

II. Payroll Factor

Enter the Seattle payroll compensation for the following employees:

Payroll costs

- | | |
|---|--|
| <ul style="list-style-type: none"> a. Total payroll for employee(s) whose assigned office or work station is located within the City of Seattle; b. Total payroll for employee(s) who are not primarily assigned to any place of business for the tax period and that individual performs fifty percent or more of his or her service for the tax period in the City of Seattle; and c. Total payroll for employee(s) not primarily assigned to any place of business for the tax period, and the individual does not perform fifty percent or more of his or her service in any city, but that person resides in the City of Seattle. | <ul style="list-style-type: none"> a. _____ b. _____ c. _____ |
|---|--|

Line 2a: Total City of Seattle payroll - add lines a, b, and c
Enter here and on line 2a of the apportionment worksheet. d. _____

Line 2b: Enter the total payroll for all locations
(the amount in line 2a plus payroll for employees in all locations other than the city).

Line 2c: Calculate Payroll Factor – Divide line 2a by the amount in line 2b this is your payroll factor. Also enter this amount calculated as a percentage on line 2c. (If the business has no employees, then there is no payroll factor. If there are no employees within the city but there are employees elsewhere, then the payroll factor is zero for the City of Seattle.)

III. Service-Income Factor

Service gross receipts are in the City of Seattle if:

Service receipts

- | | |
|---|--|
| <ul style="list-style-type: none"> a. The customer location* is in the City of Seattle; or b. The income-producing activity is performed in more than one location and a greater proportion of the service-income-producing activity is performed in the City of Seattle than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or c. The service-income-producing activity is performed within the City of Seattle, and the taxpayer is not taxable in the customer location. | <ul style="list-style-type: none"> a. _____ b. _____ c. _____ |
|---|--|

Line 3a: Total City of Seattle receipts - add lines a, b, and c
Enter here and on line 3a of the apportionment worksheet. d. _____

Line 3b: Insert the total gross service receipts for receipts everywhere (same amount as line 1a), including gross receipts within and outside the city, on line 3b.

Line 3c: Calculate Service-Income Factor – Divide line 3a by the amount in line 3b this is your service-income factor. Enter this amount calculated as a percentage on line 3c.

IV. Taxable Service Receipts

Line 4 : Add line 2c and line 3c and enter the amount on line 4. This is the total apportionment factor. **Line 5 :** Enter the number 2 if two factors remain (See line 2c above) or the number 1 if no payroll factor. **Line 6 :** Divide line 4 by line 5 (overall apportionment factor).

Line 7 : Multiply line 1c by line 6 and enter the amount on line 7. This is the City of Seattle taxable service receipts. Also enter this amount on line 5 services and other business activities, column C taxable revenue of the tax return.

* "Customer location" means the city or unincorporated area of a county where the majority of the contacts between the taxpayer and the customer take place. The City of Seattle interprets this to be physical contacts. Phone contacts are assigned to the place of business.

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 Seattle² _____
 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)³ _____
 Enter total gross service receipts (same as amount on line 1a) Service _____
- 3c 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 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:

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

*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.