

Service Income Apportionment Worksheet for periods beginning January 1, 2020

Who should complete the apportionment worksheet? Only those taxpayers that earn gross receipts from activities subject to a City’s Services & Other Business Activities (line 5 on City of Seattle Business License Tax Form) B&O tax classification and which have a taxable presence in more than one jurisdiction.

Why? Effective Jan. 1, 2020, the method used to apportion your revenue between locations for business & occupation (B&O) taxes has changed to comply with RCW 35.102.130 under HB 1403 (2019). This new method utilizes a market-based sourcing approach in the income factor to determine how taxable service income is apportioned between multiple jurisdictions.

I. Calculate the Apportionable Gross Service Receipt		
1	Enter the total worldwide gross service receipts for your business (do not include income from royalties or other intangibles).	
2	Enter the amount of receipts deductible under SMC 5.45.100 (deductions) (note: this worksheet apportions worldwide service income. Therefore, is no deduction for interstate or intrastate sales.)	
3	Subtract line 2 from 1 and enter the amount. This is your total apportionable service receipts.	

II. Calculate Payroll Factor		
4	Enter total Seattle service payroll costs from Payroll Factor Worksheet (page 2).	
5	Enter the total service payroll for all locations (the amount on line 4 plus payroll for all employees in all locations other than Seattle).	
6	Calculate payroll factor – Divide line 4 by the amount in line 5. This is your Payroll Factor (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 numerator is zero). Enter the amount calculated as a percentage.	

III. Calculate Service-Income Factor		
7	Enter total service receipts sourced in the City. Service gross receipts are in the City if the Customer Location is in the City. See page 2 for sourcing receipts to Seattle. **	
8	Enter total service receipts everywhere (line 1 above) less any Excludible Income. See page 2 for “excluded income.” ***	
9	Calculate the Service Income Factor – Divide line 7 by the amount in line 8. This is your Service Income Factor . Enter the amount calculated as a percentage.	

IV. Calculate City Taxable Service Receipts		
10	Enter sum of payroll factor and service income factor (add lines 6 & 9)	
11	Enter the number 2 (two-factor) or the number 1 (one-factor, if there is no payroll factor) *	
12	Divide line 10 by line 11. This is the overall Apportionment Factor . Enter the amount calculated as a percentage.	
13	Multiply Line 3 by Line 12 and enter the amount. This is the City Taxable Service Receipts . Also enter this amount on under the Services and other Business Activities classification (taxable revenue column) on your tax form.	

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

Payroll Factor Worksheet

Total service payroll costs within Seattle		Payroll Costs
a	Compensation paid to employee(s) primarily assigned in the City of Seattle for the tax period.	
b	Compensation paid to employee(s) not primarily assigned to any place of business for the tax period and the employee performs 50% or more of their service for the tax period in the City of Seattle.	
c	Compensation paid to employee(s) not primarily assigned to any place of business for the tax period, the employee does not perform 50% or more of his or her service in any city, and the employee resides in the City of Seattle.	
d	Total service payroll costs within Seattle (sum of lines a, b and c). This number goes on Line 4.	

**** Sourcing Service Receipts to The City of Seattle**

Service Receipts are sourced to the City of Seattle if the customer location is in Seattle. "Customer location" means the following:

- (A)** For a **customer not engaged in business**, if the service requires the customer to be physically present, where the service is performed.
- (B)** For a **customer not engaged in business**, if the service does not require the customer to be physically present:
 - (1) The customer's residence; or
 - (2) If the customer's residence is not known, the customer's billing/ mailing address.
- (C)** For a **customer engaged in business**:
 - (1) Where the services are ordered from;
 - (2) At the customer's billing/ mailing address if the location from which the services are ordered is not known; or
 - (3) At the customer's commercial domicile if none of the above are known.

***** Excluded Income**

"Excludible Income" or "excluded income" means income that is sourced to a customer location where the taxpayer is not subject to a business activities tax in the city or unincorporated county of the customer location and at least some of the activity is performed in the City. However, a taxpayer will be considered to be taxable in a city or county within the United States (or foreign country) in which it would be deemed to conduct sufficient business activities in the customer location to be subjected to the taxing jurisdiction of that city or county under the standards established for interstate commerce under the commerce clause of the United States Constitution.

Excluded income must be subtracted from the total gross service receipts to arrive at the Service Income Factor Denominator (Line 8).