



City of Tacoma Tax & License

January 2013

Highlights of the City's B&O Tax

- * All businesses with activity in Tacoma, whether located within or outside the City limits, must be registered with the City's Tax and License Division.
- * Businesses with annual gross receipts of less than \$250,000 will have no tax due, however, must still file a return
- * B&O taxes are due quarterly or annually and must be filed for all business regardless of size
- * Businesses located outside the City limits that have less than \$20,000 gross receipts generated in the City will have no tax due, however, must still file a return
- * Current B&O Tax Rates:

Classification	Rate
- Retailing	.00153
- Retail Services	.00400
- Services & Other	.00400
- Wholesaling	.00102

Guide to the City's Business & Occupation Tax

This pamphlet provides a basic description of Tacoma's business and occupation (B&O) tax and focuses on common types of businesses and business activities. This material is intended for general information purposes only. It is current at the time of publication, but future changes in the City Code or State law may invalidate some of this information, and not all possible applications of tax are discussed. Additional information may be obtained in Title 6 of the Tacoma Municipal Code or by contacting the City of Tacoma Tax and License Division at:

Phone: (253) 591-5252

Email: taxinfo@cityoftacoma.org

Website: www.cityoftacoma.org

How to Pay B&O Tax

All businesses engaged in any business activity, including renting/leasing property, in Tacoma must be registered with the City's Tax & License Division. The annual business license fee is \$90. B&O tax returns are mailed to all quarterly taxpayers near the end of each quarter and annual filers each December. The form must be completed and returned with payment of any taxes due by the last day of the following month. Penalties and interest are due if tax returns are not filed and taxes paid timely. See the following schedule for details.

B&O Tax Schedule

Quarter Ending:	Payment Due:
March 31 st	April 30 th
June 30 th	July 31 st
September 30 th	October 31 st
December 31 st	January 31 st

Penalties:

If a return is paid within one month following the due date the penalty is 5% of the tax, the second month increases to 15% of the tax, the third month increases to 25% of the tax.

Interest:

The interest rate for returns filed after the due date is 2%. If the tax paid is less than the amount due, interest is added from the date of underpayment or due date until paid. You have 30 days from the notice of such underpayment to pay the balance due plus interest.

Helpful Hints on Filing Returns:

- Use the returns and pre-addressed envelope provided. Substituting can cause errors
- Make check or money order payable to City of Tacoma. Do NOT send cash
- Advise Tax and License Division in writing of changes in address or status of ownership
- Failure to receive a tax form does not relieve taxpayers of their tax liability or late filing

Pay Online!

Current Tax & License customers can submit and pay online their City of Tacoma Annual Business License renewals as well as Quarterly or Annual Tax Returns. To set up or access your online account visit the City's website at www.cityoftacoma.org/taxandlicense. Please note that online payments are subject to a convenience fee of \$5 for eChecks and a \$1 processing fee for each payment. We cannot accept credit cards at this time. We also cannot accept returns online with no tax due or returns requiring supplemental tax forms.

Records Retention

Taxpayers are required to keep records for the most recent five year period. All books and records and business premises shall be open for examination at any time by the City's Tax and License Division or designated agent.

Gross Receipts

The gross receipts B&O tax is primarily measured on gross proceeds of sales or gross income for the reporting period. Gross receipts include income from activity both within and outside the City of Tacoma, regardless of your business's physical location. For purposes of the gross receipts tax, businesses have been divided into several classifications which are discussed below. Businesses conducting multiple activities will report in more than one tax classification and corresponding tax rate.

Manufacturing

Manufacturing is the business of producing articles for sale from raw or prepared materials by giving these materials new forms or qualities, such as fabricating, processing, refining, mixing, packing, canning, etc. B&O tax is calculated on the value of products manufactured, determined by selling

price. Processing for hire means the performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result a new, different or useful product is produced for sale or commercial or industrial use. B&O tax is calculated on gross receipts. The manufacturing tax rate is 0.0011.

Extracting/Extracting for Hire

Extracting is the taking of natural products, such as logging, mining, quarrying, etc. B&O tax is calculated on the value of products extracted, determined by selling price. Extractor for hire means a person who performs under contract necessary labor or mechanical services for an extractor. B&O tax is calculated on gross receipts. The tax rate for extracting is 0.0011.

Wholesaling

Sellers of products to persons other than consumers are considered to be wholesalers. The B&O tax is calculated on the wholesale selling price. B&O tax is calculated on gross receipts. The tax rate for wholesaling is 0.00102.

Retailing/Retail Service

Businesses that sell products and specific services to consumers are defined as retailers. Taxable retail services include those generally performed on property, such as repair, but not personal or professional services, such as services performed by doctors, attorneys, or accountants. The B&O tax is calculated on gross receipts. The tax rate for retailing is 0.00153 and 0.004 for retail services.

Printing/Publishing

Publishers of newspapers, magazines and periodicals are taxable under this classification, as well as persons who both print and publish books, music, circulars, etc. Printing includes letterpress, offset-lithography, and gravure processes as well as multi-graph, mimeograph, autotyping, and similar

activities. B&O tax is calculated on gross receipts. Firms engaging in photocopying documents should report under the Retailing classification. The tax rate for this classification is 0.00153.

Service and Other

Businesses that provide personal and professional services, such as lawyers, doctors, financial institutions, real estate brokers, and accountants, are subject to the B&O tax under this classification. Also, any business that is not subject to another B&O tax classification must report under this "catch-all" category. B&O tax is calculated on the gross receipts of the business at the rate of 0.004.

Utility Tax

This tax is similar to the gross receipts business and occupation tax except it is imposed on utility businesses. The business activities affected by this tax are telephone, cellular, gas, electric, water, sewerage, drainage, cable, and garbage. The rates are as follows:

- A. Power 6%
- B. Cable 8%
- C. Water and Rail Systems 8%
- D. Solid Waste 8%
- E. Sale of Electricity or Natural Gas 6%

Admission Tax

This tax is levied upon persons who pay an admission charge for entrance to an event or establishment. It is collected for the City by the business charging the admission, similar to sales tax. The admission tax is computed on the ticket price or price of admission. The rate is 5% on each admission charge paid.

Gambling Tax

All persons who are licensed by the Washington State Gambling Commission (see RCW 9.46.0237 for definition) and conduct gambling activities in the City are required to pay the gambling tax. Such activities include bingo games, raffles, amusement games, and punchboards &

pull tabs. The rates are as follows:

- A. Amusement games 2.0%
- B. Bingo games 5.0%
- C. Raffles 5.0%
- D. Punchboards and Pull-Tabs 5.0%
- E. Social card games 11.0%

Exemptions, Deductions, and Credits

The following section discusses a number of the most common exemptions from the gross receipts tax and deductions allowed for certain business activities or sources of income. This discussion is not intended to be all inclusive. If you have questions about specific exemptions or deductions, please contact the City’s Tax and License Division.

Exemptions and Deductions are to be included in the gross receipts amounts and then deducted when calculating the taxable amount on which the gross receipts tax rate applies. The deductions are to be listed in the appropriate columns and if the exemption or deduction does not have a specific column, list in the “Other” column and include a note, such as “Liquor” or “Sales Outside of Tacoma”. Unlike deductions and exemptions, which reduce the amount of your income that is taxable, tax credits reduce the actual amount of tax owed.

Jobs Credit

B&O tax is calculated on gross receipts. Tacoma was the first city in Washington to provide a credit against your local business tax for every new, permanent, family-wage job a business creates. This applies to eligible persons who reside in the City and are engaging in a business activity within the City.

This five-year tax incentive is designed to stimulate business, reward businesses for creating good-paying jobs, and put our citizens to work. That means if you expand your workforce in Tacoma, you can get a credit against the B&O tax of up to \$750!

You can get a \$500 B&O tax credit every year for five years if you:

1. Add a new job to your Tacoma workforce
2. Pay that employee according to the following schedule:

Year	Min. Hourly Pay
2010	16.82
2011	16.95
2012	17.59
2013	18.00
3. Keep that new position for at least five years. If your employee leaves the position, you have three months to refill it without any reduction in the credit
4. Maintain records that show the growth in your employment base
5. Take the credit on your City of Tacoma B&O Tax Return within 365 days after filling the position and attach a Supplemental Information Sheet available at www.cityoftacoma.org/business/businesslicense

You can get an extra \$250 (Total of \$750) B&O tax credit every year for five years if you add a job as described above plus both of the following:

- A. Business in international services, such as computer services, engineering, business consulting or other ventures that reach outside the country’s borders
- B. Add the new job to your workforce in Tacoma within the

empowerment zone or “distressed areas” of high poverty and unemployment as defined by the Washington State Department of Revenue.

The tax credit must be repaid if your business loses eligibility.

Common Exemptions

- Taxable gross receipts equal to or less than \$250,000 annually
- Manufacturing, selling or distributing motor vehicle fuel
- Liquor, beer, and wine sales
- Sale, lease, or rental of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions
- Insurance agents (brokers are subject to tax)
- Farm products or edibles raised, produced or manufactured within the State of Washington and sold by the farmer
- Nonprofit organizations holding Federal IRS nonprofit status under 26 U.S.C. Section 501(c)(3), except with respect to retail sales

Common Deductions

- Retail or Wholesale sales delivered outside of Tacoma
- Cash discounts taken by customers
- Credit Losses or Bad Debts

Common Credits

- Jobs Credit
- Small business Credit for businesses that have annual Gross Receipts between \$250,000 and \$300,000
- Multiple Activities Credit (MATC)

Voluntary Registration

In the case of any unregistered taxpayer doing business in the City that voluntarily registers prior to being contacted by the department, the department shall not assess for back taxes or interest for more than four calendar years prior to the year of registration. In addition, the late payment penalty imposed under TMC 6A.10.110(a) shall not apply.

Other Taxes & Licenses

There are several other taxes and regulatory licenses that are administered by the City which affect businesses in Tacoma. To the right is a brief synopsis of the additional regulatory licenses that may apply to your business.

Other Information

The City offers free Small Business Workshops to explain the business and occupation tax and to assist businesses on how to file their local tax returns.

Representatives from the City of Tacoma Permitting Division and Pierce County Department of Health are also available at these events. If you are interested in attending, please call the City's Tax & License Division at (253) 591-5252.

Please visit DOR's website at <http://dor.wa.gov/> for information on sales/use tax and other taxes administered by Washington State. All businesses should make every effort to be fully informed of their tax liability, since the final responsibility for proper tax reporting rests with the taxpayer. Failure to receive a tax form does not relieve taxpayers of their tax liability.

Got Forms?

Existing Tax & License customers can now view and print their license and tax return forms, update account information, and provide business closure information on-line by using the tacomaservices.org web site. This feature allows Tax & License customers to access their information any time, day or night.

Also on-line for your convenience is a [Tax & License Business Records Search](#), similar to the [Washington State Department of Revenue records search](#). The City of Tacoma's Tax & License Business Records Database provides you with public information for businesses registered with the City of Tacoma. It is a free service provided for informational purposes only. Creating a list from this information for commercial purposes is prohibited by law. This search does not require a Tacoma Services account to use, just plug in the information you do have and select from the returned results.

Got Questions?

If you have any questions, please call the City's Tax & License Division at (253) 591- 5252, or visit our website at www.cityoftacoma.org, or Email: taxinfo@cityoftacoma.org. You may also write to or visit the Tax and License Division at 733 Market Street, Room 21, located in the City of Tacoma Municipal Building North.



Tax and License Division
733 Market Street, Room 21
Tacoma, WA 98402-3770
(253)591-5252

Regulatory Licenses

The following regulatory licenses are administered by the Tax and License Division and require annual renewal with varying fees

- Ambulance Operators
- Adult Entertainment
- Alarm Devices
- Entertainment/Dancing (Alcohol Served)
- Entertainment/Dancing (All Ages)
- Fire Alarms and Suppression Systems
- Garages/Auto shops
- Gas Fitters and Appliance Installers
- Hazardous Materials
- Home Occupation (one time)
- Hotels
- Oil and Gas Delivery
- Pawnbrokers, Secondhand Dealers, Garage Sales
- Sales – Door to Door Soliciting
- Sales – Sidewalk Vendors
- Scrap Metal and Recyclable Materials Dealers
- Septic and Side Sewer Contractors
- Sign Erectors
- Taxicabs
- Temporary Events