



# Guide to Business & Occupation Tax

## **Contact Us:**

City of Tacoma  
Tax & License Division  
747 Market St, Rm 212  
Tacoma, WA 98402

**Phone:** (253) 591-5252

**Email:** [taxinfo@cityoftacoma.org](mailto:taxinfo@cityoftacoma.org)

**Web:** [www.cityoftacoma.org](http://www.cityoftacoma.org)

## **FileLocal Support**

**Phone:** (225) 215-0052

**Toll Free:** (877) 693-4435

**Email:** [FileLocal@e-govsystems.com](mailto:FileLocal@e-govsystems.com)

## **Other Agencies**

Visit Department of Revenue at [dor.wa.gov](http://dor.wa.gov) for information on sales/use tax and other taxes administered by Washington State.

[Washington State Labor and Industries \(LNI\)](#)

[Washington State Employment Security \(ESD\)](#)

[Washington Secretary of State \(SOS\)](#)

[Internal Revenue Service \(IRS\)](#)

The 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 to the City code or State law may invalidate some of this information. Not all possible applications of tax are discussed in this guide. Additional information can be found in [Title 6 of the Tacoma Municipal Code \(TMC\)](#) or by contacting the Tacoma's Tax and License Division.

Local B&O tax requirements are in addition to Washington State B&O tax requirements that are paid to the Department of Revenue.

## **Register, File, and Pay Online**



Tax & License customers can file and pay online their monthly, quarterly and annual B&O tax returns as well as their annual business license renewal. To setup or access your online account visit [www.filelocal-wa.gov](http://www.filelocal-wa.gov). Please note that online payments are subject to a user convenience fee.

## **Business & Occupation Tax Filing Requirements**

Businesses that generate \$250,000 or less of annual worldwide gross income are not required to file a tax return.

Businesses operating in the City of Tacoma that have an annual gross income of more than \$250,000 are required to file and pay local B&O taxes. The \$250,000 threshold is based on total worldwide gross income and the tax is calculated based on the gross income generated from business activity conducted in Tacoma.

Businesses that exceed the \$250,000 threshold but have less than \$20,000 in taxable income from business activity in Tacoma are not required to pay B&O tax, but are still required to file a tax return indicating the gross income.

## **Business & Occupation - Gross Receipts - Tax**

B&O tax is a gross receipts tax measured on gross proceeds of sales or gross income for the reporting period. Gross income includes business activities conducted both within and outside the City of Tacoma, regardless of your businesses' physical location. For purposes of the B&O tax, business activities have been divided into several classifications which are discussed below. Businesses conducting multiple activities may need to report under more than one tax classification and corresponding tax rate.

## **B&O Tax Rates**

Classification	Rate
Manufacturing	0.0011
Printing/Publishing	0.00153
Processing For Hire Extracting for Hire	0.00153
Retailing	0.00153
Retail Service	0.004
Service & Other	0.004
Wholesaling	0.00102

## **Late Filing**

### **Penalties**

If a tax return is paid within one month following the due date, the penalty is \$5 or 9% of the tax, whichever is greater. The second month increases to 19% of the tax and the third month increases to 29% of the tax.

### **Interest**

The interest rate for tax returns filed after the due date varies from year to year. If the tax paid is less than the amount due, interest is added from the date of underpayment or due date until paid in full.

Year	Interest Rate
2022	2%
2021	3%
2020	4%
2019	4%
2018	3%

## **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 during normal business hours by the City's Tax & License Division.

## **Manufacturing/Extracting**

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 the selling price. If the owner of equipment or facilities furnishes materials or ingredients equal to or less than 20% of the total value of all materials or ingredients that become a part of the finished product, they will be deemed to be a processor 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.

## **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. Businesses engaging in photocopying documents should report under the Retailing classification.

## **Processing For Hire/Extracting for Hire**

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. Extractor for hire means a person who performs under contract necessary labor or mechanical services for an extractor.

## **Retailing**

Businesses that sell tangible personal property and specific services to consumers are defined as retailers.

## **Retail Service**

Retail Services include the sale of or charge made for personal, business, and some professional services. This includes amounts designated as interest, rents, fees, admission, and other services. Please see TMC 6A.30.030 for a complete list of retail service activities.

## **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 service and other. Any business that is not subject to another B&O tax classification must report under this "catch-all" category.

## **Wholesaling**

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

## **Deductions and Credits**

The following section discusses the most common deductions and credits allowed for certain business activities or sources of income. This is not intended to be all inclusive. If you have questions about specific deductions or credits, please contact the Tax and License Division.

## **Deductions**

The amount of a deduction is included in the gross income reported on the B&O tax return and then deducted when calculating the taxable amount on which the tax rate is applied. If you are taking a deduction, you are required to indicate the amount of

## Job Credit Minimum Hourly Wage

Year	Minimum Hourly Wage
2022	\$22.27
2021	\$21.21

the deduction and type of deduction in the Tax Classification Deduction section of the B&O tax return. Failure to do so may result in your deductions being disallowed. If the deduction does not have a specific column, list in the "Other" column and include a note, such as "Sales Outside of Tacoma". The most common deductions include:

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

### Credits

Unlike deductions, which reduce the amount of your gross income that is taxable, a tax credit reduces the actual amount of tax owed. Tacoma has three credits available:

- Jobs Credit
- Small Business Phased Credit
- Multiple Activities Tax Credit (MATC)

### Job Credit

Tacoma was the first city in Washington to provide a credit against your local business tax for new jobs created in the City. You can receive a \$500 B&O tax credit every year for 5 years (calendar year of hire plus four calendar years thereafter) if you:

- Add a full-time position to your Tacoma workforce.
- Pay that new employee at least a "Family Wage" as developed by the Washington State Employment Security, no matter what kind of job it is.
- Keep that new position for at least 5 years. If your employee leaves the position, you have 3 months to refill it without any reduction in the credit.
- Maintain records that show the growth in your employment base in Tacoma.
- Take the credit against your Tacoma B&O taxes each year and attach a [Job Credit Supplemental Information Sheet](#).

If the position qualifies for the \$500 credit above, additional credits are available of up to \$1,000 every year.

- Get an extra \$500 B&O tax credit if the employee that fills the new position is a Tacoma resident.
- Get an extra \$250 B&O tax credit if the position meets the definition of a "Green Job" as defined in TMC 6A.30.065.
- Get an extra \$250 B&O tax credit if you do business in international services, such as computer services, engineering, business consulting or other ventures that reach outside the country's borders and add the new job to your workforce in Tacoma within the empowerment zone or "distressed areas", areas of high poverty and unemployment, as defined by the Washington State Department of Revenue. (For more information, call Washington State Department of Revenue's Telephone Information Center at (800) 647-7706).

That means if you expand your workforce in Tacoma, you can get a credit against the B&O tax of up to \$1,500 per position.

## Small Business Phased Credit

Businesses with annual gross income between \$250,001 and \$300,000 have a credit available and pay only a percentage of their tax due.

Annual Gross Income	Tax Credit - % of Total Tax Due
\$250,001 - \$260,000	90%
\$260,001 - \$270,000	80%
\$270,001 - \$280,000	70%
\$280,001 - \$290,000	45%
\$290,001 - \$300,000	25%

## Multiple Activities Tax Credit (MATC)

The MATC is available when businesses engage in multiple taxable activities in one or more cities with an eligible gross receipts tax. In order to qualify as an eligible gross receipts tax, the tax must be imposed at the local level. The MATC also applies to businesses who engage in business activities that are subject to tax under two or more tax classifications on the same revenue. If the business both manufactures and sells the product, then both activities are taxable under the applicable tax classifications. The MATC is designed to prevent a business from paying tax on both activities. The [MATC form](#) is required to be filed and submitted with the tax return. The amount of credit for any reporting period shall not exceed the tax liability.

## Other Taxes

### Utility Tax

This tax is similar to the business and occupation tax and is imposed on private utility businesses. The business activities affected by this tax are telephone, cellular, gas, electric, water, sewage, drainage, cable, and garbage.

### Admission Tax

Admission Tax is levied upon persons who pay an admission charge for entrance to an event or establishment. It is collected and remitted to 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

Every person who is licensed by the Washington State Gambling Commission (see RCW 9.46.0237 for definition) and conducts gambling activities in Tacoma is required to pay the gambling tax. Activities include bingo games, raffles, amusement games, punchboards, and pull tabs.

## Voluntary Registration

Upon any unregistered taxpayer doing business in Tacoma that voluntarily registers prior to being contacted by the City, the City shall not assess back taxes or interest for more than four calendar years prior to the year of registration.

## Small Business Workshops

Tax & License offers free Small Business Workshops to explain the business and occupation tax and to assist businesses when filing their tax returns. If you are interested in attending, call the City's Tax & License Division at (253) 591-5252.

## Utility Tax Rates

Classification	Rate
Power	7.5%
Cable	8%
Cellular, Telephone, Pager	7.5%
Water & Rail System	8%
Solid Waste	8%
Electricity/Natural Gas	7.5%

## Gambling Tax Rates

Classification	Rate
Amusement Games	2%
Bingo Games	5%
Raffles	5%
Punchboards and Pull Tabs	5%