



City of Tacoma Tax & License

January 2018

Contact Us:

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

Phone: (253) 591-5252

Email: taxinfo@cityoftacoma.org

Web: www.cityoftacoma.org

Regulatory Licenses

Businesses requiring a regulatory license must also maintain a Tacoma business license.

- Ambulance Operators
- Adult Entertainment
- Alarm Devices
- Entertainment/Dancing (Alcohol Served)
- Entertainment/Dancing (All Ages)
- Fire Alarms and Suppression Systems
- Garages/Auto Shops
- Hazardous Materials
- Home Occupation (One Time)
- Transient Accommodations
- Oil and Gas Delivery
- Pawnbrokers, Secondhand Dealers, Garage Sales
- Sales-Door to Door Soliciting
- Sales-Sidewalk Vendors
- Septic and Side Sewer Contractors
- Sign Erectors
- For-Hire Vehicles
- Food Truck Vendors
- Live/Work & Live Work
- Temporary Events

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 informational purposes only. It is current at the time of publication, but future changes in the Tacoma Municipal 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 \(TMC\)](#) or by contacting the City of Tacoma Tax and License Division at:

Phone: (253) 591-5252

Email: taxinfo@cityoftacoma.org

Website: www.cityoftacoma.org/businesslicense

Licensing Requirements

All businesses engaged in any business activity, including renting/leasing property in Tacoma must be registered with the City's Tax & License Division. Taxpayer's annual business license renewal and fee is due on January 31st of every year. Taxpayers can apply for registration and business license by mail, in person, or online through [FileLocal](#). See the following licensing fee schedule.

Gross Income Thresholds	License Fees
Under \$12,000	\$25
\$12,000 - \$250,000	\$110
Over \$250,000	\$250

B&O Reporting Requirements

Businesses that operate in the City of Tacoma that have an annual gross income of more than \$250K are required to file and pay local B&O taxes. The \$250K threshold is based on total worldwide gross income, and the tax is calculated based on the gross income generated from activities in Tacoma. Businesses that exceed the \$250K threshold but have less than \$20K in annual gross income from activities in Tacoma are not required to pay B&O tax, but the tax return must be filed indicating the gross income. Local B&O tax requirements are in addition to Washington State B&O tax requirements paid to the Department of Revenue.

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.

2018 Monthly Due Dates

Return Period	Due Date
January 2018	02/28/2018
February 2018	03/31/2018
March 2018	04/30/2018
April 2018	05/31/2018
May 2018	06/30/2018
June 2018	07/31/2018
July 2018	08/31/2018
August 2018	09/30/2018
September 2018	10/31/2018
October 2018	11/30/2018
November 2018	12/31/2018
December 2018	01/31/2019

2018 Quarterly Due Dates

Return Period	Due Date
Quarter 1/2018	4/30/2018
Quarter 2/2018	7/31/2018
Quarter 3/2018	10/31/2018
Quarter 4/2018	1/31/2019

2018 Annual Due Date

Return Period	Due Date
Annual 2017	1/31/2019

FileLocal Help Support

Phone: (225) 215-0052
Toll Free: (877) 693-4435
Email:
FileLocal@e-govsystems.com

2018 Monthly Due Dates

Return Period	Due Date	9% Penalty Begins	19% Penalty Begins	29% Penalty Begins
January	02/28/18	03/01/18	04/03/18	05/01/18
February	03/31/18	04/03/18	05/01/18	06/01/18
March	04/30/18	05/01/18	06/01/18	07/03/18
April	05/31/18	06/01/18	07/03/18	08/01/18
May	06/30/18	07/03/18	08/01/18	09/01/18
June	07/31/18	08/01/18	09/01/18	10/02/18
July	08/31/18	09/01/18	10/02/18	11/01/18
August	09/30/18	10/02/18	11/01/18	12/01/18
September	10/31/18	11/01/18	12/01/18	01/01/19
October	11/30/18	12/01/18	01/01/19	02/01/19
November	12/31/18	01/01/19	02/01/19	03/01/19
December	01/31/19	02/01/19	03/01/19	04/02/19

2018 Quarterly Due Dates

Return Period	Due Date	9% Penalty Begins	19% Penalty Begins	29% Penalty Begins
Quarter 1	04/30/18	05/01/18	06/01/18	07/03/18
Quarter 2	07/31/18	08/01/18	09/01/18	10/02/18
Quarter 3	10/31/18	11/01/18	12/01/18	01/01/19
Quarter 4	01/31/19	02/01/19	03/01/19	04/02/19

2018 Annual Due Dates

Return Period	Due Date	9% Penalty Begins	19% Penalty Begins	29% Penalty Begins
Annual	01/31/19	02/01/19	03/01/19	04/02/19

Interest

The interest rate for tax returns filed after the due date is 3% annually. 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.

Register, File, and Pay Online



Current Tax & License customers can register, submit and pay online their City of Tacoma Annual Business Licenses and renewals, as well as Quarterly or Annual Tax Returns. To setup or access your online account visit www.filelocal-wa.gov. Please note that online payments are subject to a user convenience fee.

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 during

2018 B&O Tax Rates by Classification

<u>Classification</u>	<u>Rate</u>
Retailing	0.00153
Wholesaling	0.00102
Manufacturing	0.0011
Service & Other	0.004
Retail Service	0.004

Apportionment Provision for B&O Tax

Effective January 1, 2008, if a business engages in business activity within multiple jurisdictions, the gross income can be allocated and apportioned. The allocation and apportionment will vary depending on the classification under which income is reported.

Manufacturing – allocated to the location where the activity takes place.

Retail Sales – the activity takes place where delivery to the buyer occurs

Wholesale – the activity takes place where delivery to the buyer occurs.

Royalties from the Granting of Intangible Rights – allocated to the commercial domicile of the taxpayer.

Service & Other – apportioned to a city by multiplying service income by payroll factor (Based on the payroll within the jurisdiction), plus the service-income factor. This is based on the income producing activity attributable for tax purposes within the jurisdiction, divided by two.

normal business hours by the City's Tax & License Division or designated agent.

Gross Receipts

The gross receipts B&O tax is 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 businesses' physical location. For purposes of the gross receipts 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.

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. The tax rate for wholesaling is 0.00102.

Retailing

Businesses that sell tangible personal property and specific services to consumers are defined as retailers. The tax rate for retailing is 0.00153.

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. The tax rate for retail service is 0.004.

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. The tax rate for service and other is 0.004.

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. Extracting is the taking of natural products, such as logging, mining, quarrying, etc. B&O tax is calculated on the value of the products extracted, determined by selling price. The tax rate for manufacturing and extracting is 0.0011.

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. B&O tax is calculated on gross receipts. The tax rate for processing for hire/extracting for hire is 0.00153.

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 printing/publishing is 0.00153.

Common Deductions

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

Common Credits

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

Job Credit Forms

- Job Credit Application
- Economic or Disaster Declaration

Job Credit Minimum Hourly Pay Scale

<u>Year</u>	<u>Minimum Hourly Pay</u>
2018	\$19.44
2017	\$19.12
2016	\$18.64
2015	\$18.49
2014	\$18.11

Deductions and Credits

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

Deductions

Deductions are to be included in the gross receipts amounts on your City's B&O return and then deducted when calculating the taxable amount on which the gross receipts tax rates apply. If you are taking a deduction, you are required to indicate the amount in the Tax Classification Deduction section of the B&O 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 income that is taxable, tax credits reduce the actual amount of tax owed. The most common credits include:

- Jobs Credits
- Small Business Credit
- Multiple Activities Credit (MATC)

Jobs Credit

Tacoma was the first city in Washington to provide a credit against your local business tax. You can receive a \$500 B&O tax credit every year for 5 years if you:

- Add a full-time position to your Tacoma workforce.
- Pay that new employee at least "Family Wage" (\$19.44 per hour for 2018) 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 City of Tacoma B&O taxes each year and attach a [supplemental information sheet](#).

Additional credits are available for a total of up to \$1,500 every year if you add a job as described above:

Multiple Activities Credit (MATC)

- MATC Form
- Instructions

Utility Tax Rates by Classification

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

Admission Tax Rate

<u>Classification</u>	<u>Rate</u>
Admission Tax	5%

Gambling Tax Rates by Game

<u>Classification</u>	<u>Rate</u>
Amusement Games	2%
Bingo Games	5%
Raffles	5%
Punchboards and Pull Tabs	5%

- 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 Credit

Businesses with annual gross income from \$250,001 to \$300,000 will have credit available and pay only a percentage of their tax due. See the follow Small Business Tax Credit Table:

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 Credit (MATC)

The MATC is available when businesses or persons engage in multiple taxable activities in one or more cities with an eligible gross receipts tax, or external credit. 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 or persons who engage in business activities that are subject to tax under two or more tax classifications on the same revenue, or internal credit. If the business or person both manufactures and sells the products, then both activities are taxable under the applicable tax classifications and a MATC credit is taken. The [MATC form](#) is required to be filed and accompany the corresponding tax return, for each reporting period a credit is claimed. The amount of credit for any reporting period shall not exceed the tax liability.

Other Tax & License

There are several other taxes and regulatory licenses that are administered by the City which affect businesses in Tacoma. You can find additional information at the City of Tacoma [Tax & License](#) website or by reviewing [TMC Title 6](#).

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, natural gas, electric, water, sewage, drainage, cable, and solid waste. The utility tax rate varies depending on the classification of the utility.

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External Links

[Washington State Department of Revenue \(DOR\)](#)

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

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

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

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

Admission Tax

Admission 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

Every person who is licensed by the Washington State Gambling Commission (see RCW 9.46.0237 for definition) and conducts gambling activities in the City, except for non-profit organizations, are required to pay the gambling tax. Such activities include bingo games, raffles, amusement games, and punchboards & pull tabs. The gambling tax rate varies depending on the classification of gambling game.

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 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 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. If you are interested in attending, please call the City's Tax & License Division at (253) 591-5252.

Please visit Department of Revenue's website at www.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 obligations; 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.

Tacoma Data

Find out if a business is licensed and other public information through Tacoma Data at www.data.cityoftacoma.org. Tacoma Data is a free service provided for informational purposes only. Creating a list from this information for commercial purposes is prohibited by law.

Got Questions?

If you have any questions, please call the City's Tax & License Division at (253) 591-5252. Or you can visit our website at www.cityoftacoma.org, or Email: taxinfo@cityoftacoma.org. You may also write to or visit the Tax and License Division office at 747 Market Street, Room 212; Tacoma, WA 98402, located in the City of Tacoma Municipal Building.