



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

APRIL 28, 2010

Temporary B&O Tax Rate Increase Small Business Credit Increase Active Non-Reporting Change

B&O Tax Temporary Increase

Second Engrossed Substitute Senate Bill (2ESSB) 6143, passed during the 2010 1st Special Session, temporarily increases the business and occupation (B&O) tax rate for businesses reporting under tax classifications service and other activities and gambling contests of chance (less than \$50,000 a year) to 1.8%. The temporary rate increase to 1.8% also applies to real estate brokers taxable under RCW 82.04.255. The tax rate for gambling contests of chance (\$50,000 a year or greater) temporarily increases to 1.93%. The rate increase is effective May 1, 2010 and ends July 1, 2013.

The increased rate does not apply to income normally reported under the service and other activities B&O tax classification by:

- for-profit hospitals,
- scientific research and development companies, and
- qualified food cooperatives.

The B&O tax rate for these businesses remains at 1.5%.

Small Business Credit Increase for Qualifying Businesses

A business whose B&O tax liability is below a certain level is entitled to a credit. The credit varies depending on the amount of B&O tax due (the total of all B&O tax classifications) after all other B&O tax credits have been taken.

2ESSB 6143 doubles the small business B&O tax credit for qualifying businesses that report under the service B&O tax classifications of:

- service and other activities,
- gambling contests of chance (less than & greater than \$50,000 a year),
- for-profit hospitals, and
- for-profit research and development (to include scientific R&D).

Public or nonprofit hospitals and qualified food co-ops and other businesses that do not qualify for the increased small business B&O tax credit continue to be eligible for the maximum credit of \$35 per month.

This increase in the small business B&O tax credit takes effect May 1, 2010. This change has no expiration date.

To inquire about the availability of this document in an alternate format for the visually impaired, please call 360-705-6705. Teletype (TTY) users please call 711.

**Reporting
Changes**

When completing the Excise Tax Return, service income is reported under the following B&O tax classifications:

<i>Tax Classification</i>	<i>Code</i>	<i>Rate</i>
Public or Nonprofit Hospitals; Qualified Food Co-ops	55	.015
Service & Other Activities and/or Gambling Contests of Chance (less than \$50,000 a year)	04	.018
Gambling Contests of Chance (\$50,000 a year or greater)	192	.193
For-profit Hospitals; Scientific R&D	135	.015

The small business credit is reported under “credits” section VI of the tax return. Beginning May 2010 the Excise Tax Return will include a worksheet to assist businesses in calculating the small business B&O tax credit.

The small business B&O tax credit is automatically calculated for e-filers. Information on filing your return electronically is available on the Department’s website at dor.wa.gov.

**Active Non-
Reporting
Threshold**

Businesses eligible for the increased B&O tax credit, as explained above, are also eligible for an increased threshold for being placed on the active non-reporting (ANR) status. Such businesses can be placed on ANR status if their taxable income is less than \$46,667 per year and if they are not required to collect sales tax or owe any other tax to the Department. Other businesses have a threshold of \$28,000 to be eligible for ANR status.

**For More
Information**

Contact the Department’s Telephone Information Center at 360-705-6705.