



Guide to the City of Tukwila's Business and Occupation (B&O) Tax

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ABOUT THIS GUIDE

This guide provides an overview of the City of Tukwila's B&O tax and is intended for general informational purposes only. Not all possible applications of tax are discussed. It is current at the time of publication, but potential future changes in the Tukwila Municipal Code (TMC) or state law may impact the information in this guide. In the event of a conflict between the information presented in this guide and an ordinance of the City of Tukwila, the ordinance prevails.

Specific details relating to the tax are provided in TMC Chapters 3.26 and 3.27, online at records.tukwilawa.gov/weblink.

If you need assistance, please contact us:

Email: tax@tukwilawa.gov

Mail: City of Tukwila
Finance Department
6200 Southcenter Blvd
Tukwila, WA 98188

A list of frequently asked questions is online at tukwilawa.gov/citytaxes. To request a meeting at City Hall in person, please contact us to schedule an appointment.

B&O TAX GENERAL OVERVIEW

The B&O tax applies to business revenues earned beginning January 1, 2024. Payment of the tax is limited to persons earning gross income in Tukwila of more than \$750,000 in the calendar year. The measure of tax is the gross income, gross proceeds of sales, and value of products manufactured or extracted in Tukwila. There is no deduction on account of any costs, expenses, or losses.

Tukwila's B&O tax returns are filed separately from and in addition to any other federal, state, or local tax returns.

B&O tax returns must generally be filed on a quarterly basis by the last day of the month following the end of the quarter. The city may alternatively assign an annual filing frequency at its discretion.

Tax Period.....	Payment Due
January 1 – March 31.....	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31
October 1 – December 31	January 31

If approved to file annually, annual returns are due by April 30 of the following year.

The city may assign an active non-reporting status to businesses with gross income beneath the taxable threshold. It is the responsibility of the business to notify the city if the \$750,000 threshold is exceeded.

Penalty (\$5 minimum) and interest apply when a return is not paid timely, as follows:

Period Returns Overdue.....	Penalty Rate
1 day to 1 month	9 percent
1 month to 2 months	19 percent
Over 2 months.....	29 percent

TAX REGISTRATION/LICENSING

B&O tax registration is completed by obtaining a City of Tukwila business license endorsement. The annual license fee varies depending on whether the business is within or outside of Tukwila city limits and the number of employees in Tukwila. The city uses the Washington State DOR for its business license applications. To apply for a business license, go to dor.wa.gov/tukwila.

TAX FILING FREQUENCY

B&O tax returns are due quarterly unless an annual filing frequency has been approved. Returns must be filed regardless of whether tax is due for the reporting period. Upon being issued a city business license, we will mail a letter to the business that explains the assigned tax filing frequency.

Businesses that won't exceed the \$750,000 annual threshold may contact the city to request an active non-reporting status.

HOW TO FILE AND PAY RETURNS

The City of Tukwila's tax return forms are on our website at tukwilawa.gov/citytaxes. Tax returns must be submitted by mail with a check or money order, or can be delivered to City Hall in person to:

City of Tukwila
Finance Department
6200 Southcenter Blvd
Tukwila, WA 98188-2544

Payments submitted by mail will be considered filed on the date shown on the postmark by the postal service, or the date payment is received if there is no postmark.

TAX CLASSIFICATIONS AND RATES

The B&O tax classification and rate depends on the type of business activity. Businesses conducting multiple activities may need to report in more than one tax classification. This guide provides a brief overview of each tax classification and the method for attributing income to Tukwila. Not all possible applications of tax are included.

Tax Classification.....	Tax Rate
Retailing.....	0.05% (0.0005)
Retail Service.....	0.05% (0.0005)
Wholesaling.....	0.085% (0.00085)
Manufacturing.....	0.085% (0.00085)
Processing for Hire.....	0.085% (0.00085)
Extracting.....	0.085% (0.00085)
Extracting for Hire.....	0.085% (0.00085)
Printing/Publishing.....	0.085% (0.00085)
Service and Other.....	0.085% (0.00085)

Retailing/Retail Sales

Includes sales of tangible personal property and pre-written software, except to persons who provide a resale certificate under RCW 82.04.470, and sales to consumers of digital products, extended warranties, and lodging. Also includes various services performed for consumers, including installing, repairing, altering, or improving tangible personal property; and constructing, repairing, or improving buildings or other structures.

Revenue from retail sales is allocated to the location where the activity takes place. In the case of sales of tangible personal property and digital goods, the activity takes place at the location where delivery to the buyer occurs. Revenue from sales of goods delivered to the buyer outside of Tukwila are deductible from the measure of tax.

Retail Service

Includes amusement & recreation services; physical fitness services; renting tangible personal property to consumers; landscape maintenance; credit bureau services; and abstract, title insurance, and escrow services. Revenue is allocated to the location where the activity takes place.

Wholesaling

Includes sales of tangible personal property, digital products, or pre-written computer software which are not retail sales. Also includes charges for labor and services rendered for persons who are not consumers, if such charge is expressly defined as a retail sale or retail service when rendered to or for consumers. Revenue is allocated the same as retailing.

Manufacturing

Includes all activities wherein labor or skill is applied by hand or machinery to materials or ingredients so that, as a result thereof, a new, different or useful product is produced for sale or for commercial or industrial use. The measure of tax is the value of products and byproducts manufactured within the City of Tukwila, irrespective of where the goods are sold. The value of products is generally determined by the selling price.

Refer also to the Multiple Activities Tax Credit (MATC) discussion on page 4.

Processing for Hire

The performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result thereof a new, different, or useful product is produced for sale or commercial/industrial

use. Revenue is allocated to the location where the processing activity takes place.

Extracting

Includes activities such as mining, quarrying, or taking coal, natural gas, stone, sand, mineral, fish, or any other natural resource. The measure of tax is the value of products and byproducts extracted within the City of Tukwila, irrespective of where the goods are sold. The value of products is generally determined by the selling price.

Refer also to the Multiple Activities Tax Credit (MATC) discussion on page 4.

Extracting for Hire

Labor or mechanical services performed under contract for an extractor. Revenue is allocated to where the activity takes place.

Printing or Publishing

This classification applies to businesses engaging in any of the following activities: (a) printing; (b) publishing newspapers, periodicals, or magazines; or (c) both printing and publishing newspapers, magazines, periodicals, books, music, or other printed items.

Revenue from the activities of printing, and of publishing newspapers, periodicals, or magazines, is allocated to the principal place within Washington from which the business is directed or managed. If the business' principal location is in Tukwila, refer also to the MATC discussion on page 4.

Service and Other Activities

Includes every business activity for which no other specific tax classification applies. This includes lawyers, doctors, accountants,

architects, consultants, janitorial services, instructional lessons, custom software, and a variety of other professional services and revenues. The taxable service income in Tukwila is generally determined using the apportionment method described below.

SERVICE APPORTIONMENT

Persons engaging in business inside and outside of Tukwila who earn income subject to tax under the Service and Other Activities tax classification generally must calculate their taxable income using the method described in TMC 3.26.077(F). The service apportionment calculation and instructions are on **Schedule A** of the tax return.

The service apportionment formula involves two factors: (1) the ratio of service income in Tukwila to companywide service income, and (2) the ratio of payroll costs in Tukwila to companywide payroll costs. The average of these two factors is multiplied by the companywide service income to calculate the taxable service income in Tukwila.

MULTIPLE ACTIVITIES TAX CREDIT (MATC)

Persons subject to tax under the Extracting, Manufacturing, or Printing tax classifications must also report their gross proceeds of sales under the retailing and/or wholesaling classifications (with deductions for sales of goods delivered outside of Tukwila). This may cause income to be reported twice under multiple tax classifications. The MATC ensures that B&O tax is paid only once by the business on the same amount.

The MATC is calculated on **Schedule C**.

The MATC may also be claimed by persons who pay an eligible gross receipts tax in another local jurisdiction on extracting, manufacturing, or printing activities and sell the products in Tukwila. See TMC 3.26.070.

DEDUCTIONS

The following are common deductions that may be claimed from the measure of tax, which must be itemized on **Schedule B**. Details and additional deductions are provided in TMC 3.26.100 and 3.26.075.

- Receipts from tangible personal delivered to the buyer outside the city
- Cash discount taken by the purchaser (does not apply to manufacturing tax)
- Credit losses (bad debts) of accrual basis taxpayers
- Interest on investments or loans secured by mortgages or deeds of trust

EXEMPTIONS

The following business activities are exempt from B&O tax and should not be reported on the tax return. Details and additional exemptions are provided in TMC 3.26.090.

- Sale or rental of real estate
- Producing or selling motor vehicle fuel
- Producing or selling liquor
- 501(c)(3) nonprofit organizations, *except* retail sales are taxable
- Amounts derived from activities subject to the city's utility tax or gambling tax
- Public card rooms
- Professional, semi-professional, and amateur sports teams
- Casual or isolated sales
- Employees

GROSS RECEIPTS THRESHOLD

Payment of the B&O tax is limited to businesses with taxable amounts of more than \$750,000 per calendar year. Unless active non-reporting has been approved by the city, every business must file a return and report its gross income and deductions regardless of whether tax is due.

If a quarterly filer is uncertain whether it will exceed the \$750,000 annual threshold, the business may elect whether to pay the tax when a return is filed. If payment is not made and the threshold is later exceeded, then the tax must be paid on the quarterly returns due for the remainder of the year and an annual reconciliation must be filed and paid by **January 31** of the following year to pay any remaining tax due for the year.

PENALTIES AND INTEREST

Various penalties and interest are imposed when tax is not paid timely or is underpaid. The most common penalties include:

- Late return penalty of nine (9) to 29 percent of the tax due when a return is not filed and paid by the due date.
- Assessment penalty of five (5) percent when the city determines that tax has been substantially underpaid, which increases up to 25 percent if an invoice is paid after the invoice due date.
- Unlicensed business penalty of five (5) percent when a person engages in business without a city business license.

Daily interest is charged on late returns and on invoices issued for additional tax due, and credit interest is granted on refunds.

OTHER B&O TAX PROVISIONS

Every person doing business in Tukwila is obligated to know his or her tax reporting responsibilities. Businesses may contact the city to obtain general assistance, request an extension prior to the due date, or to request written tax reporting instructions.

Businesses must keep records for a period of five years after a return is filed. The records must be sufficient to determine the amount of any fee or tax for which the person may be liable. All books, records, invoices, federal and state tax returns, and other data must be open for examination at any time by the city's authorized agent.

If a person disagrees with the amount of tax determined to be due, an appeal may be filed within 30 calendar days from the date on which notice of the tax was given by the city. The notice of appeal must state the grounds for the appeal and explain in detail why the amount of tax was incorrect.

OTHER CITY TAXES

In addition to the B&O tax, the city imposes other business taxes on certain activities in the city, which are filed on separate tax return forms. Additional information can be found online at tukwilawa.gov/citytaxes.

- Utility tax is imposed on the following activities: telephone business, cable TV, electricity, natural gas, and solid waste (including recycling).
- Admissions tax on admission charges.
- Gambling tax on gambling activities.
- Commercial parking tax on commercial parking business.