

## Impose service B&O tax on gross income from long-term real estate rentals

**Description** This proposal would impose B&O tax on income derived from the long-term rental of real property (30 days or more). Gross income from long-term rentals would be subject to B&O tax at the 1.8% rate applicable to the service and other activities classification.

**Current Law** Long term rental of real estate is not subject to taxation.

In 1959, the Legislature extended the B&O tax to income derived from the rental of real estate. However, in 1960 the Washington Supreme Court held that the B&O tax on rental income was unconstitutional on the grounds that it constituted a non-uniform property tax rather than an excise tax. *Apartment Operators Association of Seattle, Inc. v. Schumacher*, 56 Wash.2d 46 (1960).

**Revenue Impact**

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$ 8.8	\$8.8

*Notes:*

- *Estimate assumes a July 1, 2012, effective date, representing 11 months of collections for FY 2013.*
- *Estimate reflects the September 2011 Economic & Revenue Forecast Council revenue forecast.*

**Expenditure Impact**

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$143,700	\$658,300	\$802,000