B&O Tax Deduction Related to Qualified Dispute Resolution Centers

Summary
Qualified Dispute Resolution Centers may take a business and occupation (B&O) tax deduction for amounts received as contributions from federal, state, or local governments and nonprofit organizations for providing dispute resolution services.

A deduction from B&O tax is also provided to nonprofit organizations for amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

( Senate Bill 6159 [Chapter 249, Laws of 2012])

What organizations qualify?
Dispute Resolution Centers established under chapter 7.75 RCW that provide services without charge or for a fee based on ability to pay as required by RCW 7.75.030.

Nonprofit organizations defined in RCW 82.04.3651 (2) as follows:

a. An organization exempt from tax under section 501(c) (3), (4), or (10) of the federal internal revenue code (26 U.S.C. Sec. 501(c) (3), (4), or (10));

b. A nonprofit organization that would qualify under (a) of this subsection except that it is not organized as a nonprofit corporation; or

c. A nonprofit organization that meets all of the following criteria:
   • The members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organization’s gross income, except as payment for services rendered;
   • The compensation received by any person for services rendered to the organization does not exceed an amount reasonable under the circumstances; and
   • The activities of the organization do not include a substantial amount of political activity, including but not limited to influencing legislation and participation in any campaign on behalf of any candidate for political office.

What is deductible?
Qualified Dispute Resolution Centers may deduct amounts received as contributions from federal, state, or local governments, and also amounts received from nonprofit organizations for providing dispute resolution services. Amounts received directly from individuals or other organizations for services provided are not deductible.

Qualifying nonprofit organizations may deduct amounts received from federal, state, or local governments that are distributed to Dispute Resolution Centers.

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### How to claim the deduction

**Dispute Resolution Centers** should report the gross revenue received for providing dispute resolution services on the excise tax return under the B&O tax classification, services and other activities. Qualified Dispute Resolution Centers may then claim an “other” deduction for qualifying amounts with the explanation, “Gov. funding for dispute resolution.”

**Nonprofit organizations** that receive funds to distribute to qualified Dispute Resolution Centers should report the gross revenue received on the excise tax return under the B&O tax classification, service and other activities and then claim an “other” deduction for qualifying amounts with the explanation, “Gov. funding for dispute resolution.”

### Effective date

The deduction may be taken for qualifying amounts received on or after June 7, 2012.

### Small business B&O tax credit

The small business B&O tax credit may offset a portion or all of the B&O tax liability of a qualifying Dispute Resolution Center or nonprofit organizations. For example, an organization with an annual B&O tax liability less than $841, or approximately $46,500 in gross annual income, would qualify for this credit. For more information about this tax credit, please see Washington Administrative Code (WAC) 458-20-104.

### Get more information

You can get more information or request a ruling online at dor.wa.gov/ rulings or contact us at 1-800-647-7706.

Please also see our [Nonprofit Tax Guide](#) and [WAC 458-20-169](#) for guidance on the taxability for nonprofit organizations. The tax guide and WAC are available on our website at dor.wa.gov.