0.3 percent B&O tax surcharge on service businesses

Description

This proposal would impose a 0.3 percent surcharge on the service and other business and occupation (B&O) tax classification, increasing the rate to 1.8% from 1.5%. The surcharge may be either temporary or permanent.

Hospital income and income received from performing scientific research and development services would remain taxed at the 1.5% rate and would not be subject to the additional 0.3% rate.

Note: A 0.3 percent surcharge applied to the service and other activities B&O tax rate from May 1, 2010 through June 30, 2013, when it expired. As with this proposal, hospital income and income from performing scientific research and development services were not subject to the additional 0.3% rate.

Current Law

Persons that engage in business activities in this state are subject to the B&O tax that, depending on the activity, is imposed on gross receipts, gross proceeds of sales, or the value of products. Businesses that engage in more than one type of businesses activity may be subject to more than one B&O tax rate. There are 12 B&O tax rates that apply to 55 reporting classifications. Many small businesses pay no B&O tax as a result of the small business B&O tax credit and annual gross income filing threshold.

The service and other activities classification applies to income from:

- Service activities, such as medical, architectural, legal, and janitorial services, and
- Activities that are not specifically taxed under another B&O tax classification, such as commissions, solid waste collection charges, and movie admission charges.

Revenue Impact

General Fund Impacts ($ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
165,000	$ -	$ 296.7	$ 296.7	$ 340.9	$ 358.7	$ 699.5

Notes:

- *Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.*
- *Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.*

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Expenditure Impact

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
$ 38,700	$ 140,300	$ 179,000	$ 59,500	$ -	$ 59,500