

10% or 25% surtax on B&O tax rates

Description This proposal adds an additional rate of tax (surtax) to all B&O tax classifications. The surtax may be either temporary or permanent.

This proposal provides for surtaxes with rates equal to either:

- a. 10% of the existing B&O tax rates; or
 - b. 25% of the existing B&O tax rates.
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Current Law For the privilege of engaging in business, a B&O tax is imposed on the gross receipts (without deductions for the cost of doing business) of businesses operating in Washington.

Currently, 12 different B&O tax rates apply to various classifications of business activity.

- Businesses that engage in more than one type of businesses activity may be subject to more than one B&O tax rate.
 - Businesses with annual gross income of \$28,000 or less do not have to file a tax return if they would have otherwise reported only B&O tax. If at least 50% of a business's income is subject to the additional B&O tax of 0.3% imposed in 2010, the filing threshold increases to \$46,667.
 - A small business B&O tax credit ranging from \$5 to \$420 a year is available for businesses that would have otherwise owed B&O tax of \$840 or less. Many small businesses pay no tax as a result of the small business B&O tax credit.
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10% or 25% surtax on B&O tax rates, Continued

Revenue Impact

General Fund Impacts (\$ millions):

	# of # Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
15a	474,200	\$ -	\$ 368.5	\$ 368.5	\$ 425.2	\$ 447.7	\$ 872.9
15b	474,200	\$ -	\$ 921.3	\$ 921.3	\$ 1,063.0	\$ 1,119.3	\$ 2,182.2

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.

Expenditure Impact

	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
	\$ 195,400	\$ 810,300	\$ 1,005,700	\$ 156,600	\$ -	\$ 156,600

Notes:

- Expenditures represent costs for both surtax rates.