



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 13, 2010

## New Law Limits Property Management B&O Tax Exemption

### Background

Beginning June 1, 2010, a new Washington law narrows an existing business and occupation (B&O) tax exemption for property management companies. (RCW 82.04.394)

Before June 1, 2010, Washington law provided a B&O tax exemption for property management companies for amounts received from a property owner that are used to pay the wages and benefits of on-site personnel if the money is paid from a property management trust account required to be maintained under RCW 18.85.310.

The on-site personnel work under a written property management agreement where:

- The person's compensation is the ultimate obligation of the property owner and not the property manager.
- The property manager is liable for payment only as agent of the owner.
- The property manager is the agent of the owner with respect to the onsite personnel and that all actions, including, but not limited to, hiring, firing, compensation, and conditions of employment, taken by the property manager with respect to the on-site personnel are subject to the approval of the property owner.
- The on-site personnel works primarily at the owner's property.
- The on-site personnel's duties include leasing property units, maintaining the property, collecting rents, or similar activities.

### What qualifies for exemption under the new law?

Under the new law (effective June 1, 2010), the exemption only applies to amounts when received by a:

- "Nonprofit property management company" from the owner of a property, or
- A property management company from a "housing authority." (Chapter 23, Laws of 2010 1st Special Sess. [2ESSB 6143, Part XII])

Note: All other amounts received by property management companies are subject to B&O tax unless another exemption or deduction applies.

### Definitions under RCW 82.04.394

**Nonprofit property management company (new)** – a property management company that is exempt from tax under 26 U.S.C. Sec. 501(c) of the federal internal revenue code, as it exists on January 1, 2010.

**Housing authority (new)** – a city or county housing authority created pursuant to chapter 35.82 RCW.

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***On-site personnel (existing)*** – a person who meets all of the following conditions:

- Works primarily at the owner's property.
- Duties include leasing property units, maintaining the property, collecting rents, or similar activities.
- Works under a written property management agreement.
  - The person's compensation is the ultimate obligation of the property owner and not the property manager.
  - The property manager is liable for payment only as agent of the owner.
  - The property manager is the agent of the owner with respect to the onsite personnel and that all actions, including, but not limited to, hiring, firing, compensation, and conditions of employment, taken by the property manager with respect to the on-site personnel are subject to the approval of the property owner.

**For more  
Information**

Contact the Department's Telephone Information Center at 1-800-647-7706.