

# State Tax Reporting for Taxi Drivers and Related Businesses

You may have tax obligations with the Washington State Department of Revenue if you are a:

- Taxicab or related business
- Independent operator (driver) of a taxicab
- Person leasing taxicabs or limousines to others

This brochure explains the state taxes that apply to your business.



## Quick Reference

### Section One

**I'm an independent driver with fare income**

Collect Sales Tax **No**

Pay B&O Tax **No**

Pay Public Utility Tax **Yes**

### Section Two

**I rent/lease taxicabs or limousines to others**

Collect Sales Tax **Yes**

Pay B&O Tax **Yes**

Pay Public Utility Tax **No**

## For More Information

Visit our website:  
[dor.wa.gov/taxi](http://dor.wa.gov/taxi)

Call our Telephone Information Center:  
800 647 7706

Email your tax questions:  
[rulings@dor.wa.gov](mailto:rulings@dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.

## What do you do?

- I drive a taxicab. My income is the fares I collect.  
*Please see **section one** of this brochure*
- I own a taxi or limousine and lease that vehicle out to others.  
*Please see **section two** of this brochure*
- I do both. I drive a taxi and I also lease vehicle(s) to others.  
*Report your fare income as shown in **section one**. Report your lease income as shown in **section two**.*

## What taxes may apply?

**Public Utility Tax (PUT)** is a tax on a business's gross income. The PUT applies to drivers of taxicabs, airport shuttles, etc. This tax is not charged to the customers.

**Business and Occupation (B&O) Tax** is also a tax on a business's gross income. The B&O tax applies to a wide variety of business activities, including automobile leasing. This tax is not charged to the customers.

**Retail Sales Tax** is a tax collected from customers by any business doing retail activities. A business that collects retail sales tax from their customers will also have to pay the B&O tax under the retailing classification. This tax is charged to the customers.

## Section One

### Independent Drivers

**Q** Do I need to collect sales tax, B&O tax or public utility tax from my customers?

**A** No. A driver should not collect any of these taxes from their customers.

**Q** Do I owe the public utility tax on my income?

**A** Yes. Your income is subject to PUT under the Motor Transportation and/or Urban Transportation categories. You do not owe B&O tax.

**Q** Am I required to pay retail sales tax on the amount that I pay to the owner of the taxicab (rental/lease payments)?

**A** Yes. You must pay retail sales tax to the taxicab owner on the amount you pay (rental/lease payments) to use the taxicab. Since sales tax is imposed on the driver, it is a driver expense (not an owner expense) even though the owner must collect the sales tax and remit it to the Department of Revenue.

**Q** Do I have to register with the Department of Revenue?

**A** You must register with the Department of Revenue if your gross yearly income is \$12,000 or more. You can register by filing a Business License Application at [bls.dor.wa.gov](http://bls.dor.wa.gov).

## Section Two

### Leasing Taxicabs to Independent Taxicab Drivers

**Q** Do I need to collect and remit sales tax from the drivers for allowing them to use my taxicab?

**A** Yes, you need to collect and remit sales tax from drivers based on the agreed upon rental or lease payment.

**Q** What is the sales tax rate I should collect on rental/lease payments?

**A** The tax rate is based on where the vehicle is primarily stored or garaged. For example, if the taxicab is primarily stored in Seattle, collect the Seattle sales tax rate. Our quarterly tax rate flyer lists all sales tax rates for cities and counties.

**Q** Is my taxicab rental/lease income subject to public utility tax?

**A** No. This income is subject to the B&O tax under the retailing classification.

**Q** Do I have to register with the Department of Revenue?

**A** Yes, you must register with the Department of Revenue. This is true regardless of your total yearly income, as the rental/lease income is subject to retail sales tax. You must collect and remit retail sales tax on this income and this requires a tax registration. File a Business License Application at [bls.dor.wa.gov](http://bls.dor.wa.gov).