

# Business & Occupation Tax

RCW Chapter 82.04

- Tax Base** Gross receipts of all businesses with substantial nexus in Washington.
- Gross receipts mean gross income, gross sales, or the value of products of the business.
  - A business may include businesses, local governments, or non-profits.
  - Substantial nexus means the business:
    - Has a physical presence in Washington,
    - Has more than \$100,000 in combined gross receipts sourced or attributed to Washington, or
    - Is organized or commercially domiciled in Washington.

Tax exemptions may reduce the taxes of businesses. For more information, refer to the [Tax Exemption Study](#).

**Tax Rate** The business and occupation (B&O) tax applies different rates to different business activities. A business with multiple activities, may pay the tax at more than one rate.

This table lists the common B&O classifications and tax rates. For a full list refer to the Department’s [B&O tax classifications webpage](#).

Tax classification	Tax Rate
Retailing	0.471%
Manufacturing, Wholesaling, and Warehousing	0.484%
Government Contracting and Public Road Construction	0.484%
Extracting, Extracting for Hire, Insurance Agents, and Child Care	0.484%
Royalties	1.50%
Service and Other Activities (Less than \$1 million)	1.50%
Service and Other Activities (\$1 million or more) <sup>1</sup>	1.75%
Gambling Contests of Chance (less than \$50,000 a year)	1.50%
Gambling Contests of Chance (\$50,000 a year or greater) <sup>2</sup>	1.63%
Sale of Standing Timber, Extracting Timber, Extracting Timber for Hire, Processing for Hire Timber Products, and Manufacturing or Wholesaling of Timber or Wood Products <sup>3</sup>	0.3424%

<sup>1</sup> See the [workforce education webpage](#) for more detailed information on this tax classification.  
<sup>2</sup> This B&O tax rate includes an additional tax of 0.13% (RCW 82.04.285)  
<sup>3</sup> This B&O tax rate includes a surcharge 0.052%. (RCW 82.04.261)

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A B&O tax surcharge applies to certain activities in addition to the B&O tax rate.

Surcharge	Tax Rate
Select Advanced Computing Surcharge <sup>1</sup>	1.22%
Specified Financial Institutions	1.20%

<sup>1</sup> See the [select advanced computing businesses webpage](#) for more information.

**Recent Collections (\$000)**

Fiscal Year	Collections	% Change	% of All State Taxes
2021	\$5,285,225	14.1%	17.6%
2020	\$4,633,201	4.3%	17.3%
2019	\$4,440,702	6.8%	17.2%
2018	\$4,156,327	8.6%	17.4%
2017	\$3,826,274	5.3%	17.4%
2016	\$3,633,250	7.0%	17.8%
2015	\$3,396,730	4.5%	18.1%
2014	\$3,250,359	-1.8%	18.3%
2013	\$3,311,594	5.8%	19.4%
2012	\$3,130,753	3.9%	19.4%

**Distribution of Receipts**

The general fund receives B&O with the following exceptions:

- The workforce education and investment account receives the advanced computing surcharge and 14.3% of the B&O tax from the service and other activities (\$1 million or more) classification.
- The problem gambling account receives the parimutuel wagering tax and the additional B&O tax imposed on contests of chance (\$50,000 or more).
- The forest and fish support account receives the timber and wood manufacturers, extractors, and wholesalers surcharge. Any receipts above \$8 million per biennium fund tribal participation grants.

**Levied by**

State

Many cities impose local B&O taxes in addition to the B&O taxes imposed by the state. The Department of Revenue does not administer or collect local B&O taxes.

For information about local B&O taxes refer to the [Association of Washington Cities](#) (AWC) website.

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**Administration** Department of Revenue

Generally, businesses report B&O taxes and surcharges monthly, quarterly, or annually on the combined excise tax return. Quarterly, affected taxpayers separately report the select advanced computing surcharge. Washington requires most businesses to file tax returns electronically.

A business files a return if they meet any of the following conditions:

- The business has annual B&O gross receipts greater than or equal to \$125,000<sup>1</sup>.
- The business is required to collect retail sales tax.
- The business has annual gross receipts from public utility activities greater than or equal to \$24,000.
- The business owes any other tax or fee collected by the department.

<sup>1</sup>This threshold began January 1, 2023. For previous years the threshold was \$28,000 per year, or \$46,667 if more than 50% of receipts are taxable under the Service & Other, Contests of Chance, and Real Estate Brokers B&O tax classifications.

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## History

- 2022 Effective January 1, 2023, the B&O threshold for filing returns increased to \$125,000 per year for businesses not reporting other taxes to the department.
- 2022 Effective January 1, 2023, the small business B&O tax credit increased.
- 2022 Provided an exemption from the workforce education investment surcharge on select advanced computing businesses for certain provider clinics and qualifying affiliates.
- 2022 Created an exemption for custom farming services to farmers.
- 2022 Updated and expanded the Motion Picture Competitiveness Program.
- 2021 Created a deduction for health or social welfare and behavioral health administrative services organizations.
- 2021 Created an exemption for the generation, purchase, sale, transfer, or retirement of transportation fuel carbon credits.
- 2020 Workforce Education – Service and Other Activities Rate Changes
- Eliminated the workforce education investment surcharge on specified persons back to January 1, 2020.

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- Created a new B&O tax rate for businesses (and affiliated groups) with \$1 million or more of taxable income for the service and other activities classification.
  - Created an advanced computing surcharge equal to 1.22% on select advanced computing businesses, beginning April 1, 2020.
- 2020 Increased the tax rate for certain aerospace tax classifications and made preferential rates available with certain requirements.
- 2019 Effective January 1, 2020, lowered the nexus thresholds to \$100,000 in gross receipts.
- 2019 Limited the exemption for imported goods to the wholesale sale of unroasted coffee beans or wholesale sales between a parent company and its wholly owned subsidiary.
- 2019 Effective January 1, 2020, established a three-tiered Workforce Education Investment surcharge.
- 2019 B&O tax applied to the production and sale of renewable natural gas instead of the public utility tax by expanding the definition of “to manufacture” for B&O tax to include the production and processing of renewable natural gas.
- 2019 Limited the requirements to qualify for the International Investment Management Services classification to any business that forms part of an affiliated group meeting certain criteria and having more than 25% of its employees in Washington.
- 2019 Effective January 1, 2020, added a surcharge on specified financial institutions.
- 2019 Increased the tax rate for travel agents and tour operators with more than \$250,000 in annual taxable income.

For a comprehensive history of the B&O tax prior to 2019, refer to the [History of Major Washington Taxes](#).

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