

# Special Notice

*Intended audience: Real estate firms, including brokers, managing brokers, and designated brokers.*

**Dec. 12, 2024**

## **New B&O tax classification for real estate commissions**

Starting with excise tax returns for 2025, a new real estate commissions business and occupation (B&O) tax classification is on the excise tax return. Before 2025, real estate commissions were reported under the service and other activities B&O tax classification.

### **What income do I report under the new classification?**

You may only report commissions earned from sales of real estate taxable under [RCW 82.04.255](#) under the new classification.

### **Can I include non-commission income under the real estate commissions classification?**

No, this new B&O tax classification is only for commission income.

For example, income from property management services or shared expenses is still subject to B&O tax under the service and other activities classification.

### **Who will report under the new classification?**

Real estate firms are required to pay B&O tax on the gross commission earned by their firm, including the commission paid to brokers (commonly referred to as agents), designated brokers, and managing brokers.

Brokers, designated brokers, and managing brokers within the same real estate firm are not required to pay B&O tax when the firm has paid the B&O tax on gross commissions.

## How do I report real estate commissions beginning in 2025?

You will need to add the real estate commissions classification when you electronically file your next excise tax return.

To add the new classification:

1. Log in to [My DOR](#).
2. On the *My DOR Services* page, click **Get Started**.
3. In the *Excise Tax Return* panel, click the **File Return** link.
4. Click the **Add/Delete Tax Classifications** button. Add the real estate commissions classification. Click **Next**.

The Real Estate Commissions classification is now added to your current and future returns.

## Definitions

Broker, managing broker, designated broker, and real estate firm have the same meaning as provided in [RCW 18.85.011](#).

## Questions?

Please visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-6705.