



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

APRIL 28, 2010

## Temporary B&O Tax Rate Increase Small Business Credit Increase Active Non-Reporting Change

### **B&O Tax Temporary Increase**

Second Engrossed Substitute Senate Bill (2ESSB) 6143, passed during the 2010 1st Special Session, temporarily increases the business and occupation (B&O) tax rate for businesses reporting under tax classifications service and other activities and gambling contests of chance (less than \$50,000 a year) to 1.8%. The temporary rate increase to 1.8% also applies to real estate brokers taxable under RCW 82.04.255. The tax rate for gambling contests of chance (\$50,000 a year or greater) temporarily increases to 1.93%. The rate increase is effective May 1, 2010 and ends July 1, 2013.

The increased rate does not apply to income normally reported under the service and other activities B&O tax classification by:

- for-profit hospitals,
- scientific research and development companies, and
- qualified food cooperatives.

The B&O tax rate for these businesses remains at 1.5%.

### **Small Business Credit Increase for Qualifying Businesses**

A business whose B&O tax liability is below a certain level is entitled to a credit. The credit varies depending on the amount of B&O tax due (the total of all B&O tax classifications) after all other B&O tax credits have been taken.

2ESSB 6143 doubles the small business B&O tax credit for qualifying businesses that report under the service B&O tax classifications of:

- service and other activities,
- gambling contests of chance (less than & greater than \$50,000 a year),
- for-profit hospitals, and
- for-profit research and development (to include scientific R&D).

Public or nonprofit hospitals and qualified food co-ops and other businesses that do not qualify for the increased small business B&O tax credit continue to be eligible for the maximum credit of \$35 per month.

This increase in the small business B&O tax credit takes effect May 1, 2010. This change has no expiration date.

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**Reporting Changes**

When completing the Excise Tax Return, service income is reported under the following B&O tax classifications:

<b><i>Tax Classification</i></b>	<b><i>Code</i></b>	<b><i>Rate</i></b>
Public or Nonprofit Hospitals; Qualified Food Co-ops	55	.015
Service & Other Activities and/or Gambling Contests of Chance (less than \$50,000 a year)	04	.018
Gambling Contests of Chance (\$50,000 a year or greater)	192	.193
For-profit Hospitals; Scientific R&D	135	.015

The small business credit is reported under “credits” section VI of the tax return. Beginning May 2010 the Excise Tax Return will include a worksheet to assist businesses in calculating the small business B&O tax credit.

The small business B&O tax credit is automatically calculated for e-filers. Information on filing your return electronically is available on the Department’s website at <http://.dor.wa.gov>.

**Active Non-Reporting Threshold**

Businesses eligible for the increased B&O tax credit, as explained above, are also eligible for an increased threshold for being placed on the active non-reporting (ANR) status. Such businesses can be placed on ANR status if their taxable income is less than \$46,667 per year and if they are not required to collect sales tax or owe any other tax to the Department. Other businesses have a threshold of \$28,000 to be eligible for ANR status.

**For More Information**

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