



STATE OF WASHINGTON
DEPARTMENT OF REVENUE

June 21, 2005

To: Staffing Industry
From: Department of Revenue
Subject: Tax Reporting Requirements for the Staffing Industry

In January 2005, the Department of Revenue published the *Staffing Industry Tax Guide* to provide the staffing industry guidance in tax reporting requirements.

The 2005 Washington State Legislature did not pass any legislation that would directly affect how staffing businesses are to report their income. Therefore, the reporting instructions that were provided to the industry in January 2005 remain applicable. The instructions are outlined below.

Staffing Businesses are Taxable on Their Gross Income

Staffing businesses are taxable on their gross income without deduction of amounts received from customers related to compensating their workers. Nor, may they deduct any other of their costs of doing business.

Staffing Businesses Must Report Under the Proper Business and Occupation Tax Classification

The *Staffing Industry Tax Guide* explains that a staffing business may be taxable under various business and occupation (B&O) tax classifications based on the predominate activity of each worker.

For information on identifying the applicable B&O tax classification, examples of classifying income, exemptions, deductions, and specific B&O tax applications, refer to the guide. A matrix of laws, rules, and other official references for the staffing industry is also available on our web site. This matrix refers to specific rules and laws for various activities, and provides comments on how the rule or law affects the staffing industry.

Staffing Businesses are Required to Collect Retail Sales Tax on Retail Services

Beginning July 1, 2005, when a staffing business worker engages in retail services, such as construction services performed on real property or altering tangible personal property for consumers, the staffing business will be required to collect retail sales tax on such charges to their retail clients, unless a specific sales tax exemption applies.

The Department's *Staffing Industry Tax Guide* provides guidance for the industry. We have also issued Excise Tax Advisory (ETA) 2016.04.111 (Staffing Companies and Professional Employee Organizations) and ETA 2021.04.24003 (B&O Credit for Research and Development Spending for Staffing Companies) that provide clarification for the staffing industry. The guide and advisories are available on our web site at <http://dor.wa.gov>. Look under "Taxes," then "Industry Specific."

If you have any questions, please call our Telephone Information Center at 1-800-647-7706.