On Feb. 10, 2020, Governor Inslee signed new legislation that primarily replaces the Workforce Education Investment Surcharge (passed during the 2019 legislative session). ESSB 6492 takes effect immediately, and only applies to businesses reporting under the Service and Other Activities B&O tax classification beginning April 1, 2020. Therefore, this Special Notice is no longer in effect. We will provide updated information as it becomes available. Please check for updates on our website at dor.wa.gov/advancedcomputingsurcharge.

**Advanced computing surcharge**

Beginning with business activities on or after Jan. 1, 2020, a surcharge applies to the amount of tax payable under the Service and Other Activities B&O tax classification by select advanced computing businesses. There are two tiers to this surcharge, determined by the worldwide gross revenue of the group of affiliated businesses as a whole.

**How the surcharge applies**

<table>
<thead>
<tr>
<th>Worldwide Gross Revenue (current or preceding calendar year)</th>
<th>Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25 billion - $100 billion</td>
<td>0.5%</td>
</tr>
<tr>
<td>$100 billion or more</td>
<td>1%</td>
</tr>
</tbody>
</table>

The amount of surcharge owed by an affiliated group will be no less than $4 million annually, and no more than $7 million annually.

**Affected businesses**

Businesses that are engaged in advanced computing (or otherwise qualify as a select advanced computing business) and meet the worldwide gross revenue thresholds are subject to the surcharge.

Select advanced computing business includes every member of an affiliated group (subject to revenue thresholds) where at least one member engages in advanced computing.
How to pay the tax

A separate advanced computing surcharge reporting account (maintained by the parent company or another designated member of the affiliated group) must be established to report this surcharge. The surcharge for the entire affiliated group is reported on this separate account. The surcharge will be reported and paid on a quarterly basis.

What B&O tax classifications are subject to the surcharge?

The surcharge applies only to income taxable under the Service and Other Activities B&O classification.

Do advanced computing businesses grossing $25 billion or less worldwide (by affiliated group) owe the surcharge?

No. An advanced computing business must have gross revenue of more than $25 billion per year, worldwide, by the affiliated group to owe the surcharge. However, advanced computing businesses that are not part of an affiliated group with gross annual revenue of more than $25 billion may be subject to the separate Workforce Education Surcharge.

Definitions

Advanced computing means designing or developing computer software or computer hardware, whether directly or contracting with another person, including modifications to computer software or computer hardware, cloud computing services, or operating an online marketplace, an online search engine, or online social networking platform.

Cloud computing services means on-demand delivery of computing resources, such as networks, servers, storage, applications, and services, over the internet.

Affiliate and affiliated means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person. Person includes individuals and business entities as defined in RCW 82.04.030.

Affiliated group means a group of two or more persons that are affiliated with each other.

Select advanced computing business means a person who is a member of an affiliated group with at least one member of the affiliated group engaging in the business of advanced computing, and the affiliated group has worldwide gross revenue of more than $25 billion during either the entire current or immediately preceding calendar year.

More information

See RCW 82.04.299(4)

Visit dor.wa.gov/WorkforceEducationInvestmentSurcharge

Questions?

Please email dorteateam2@dor.wa.gov or call 360-705-6705.