Additional tax imposed on specified financial institutions

Effective Jan. 1, 2020, there will be an additional 1.2% tax imposed on the income of specified financial institutions subject to service and other activities business and occupation tax. This tax is in addition to any other taxes imposed on these specified financial institutions.

What is a specified financial institution?

A specified financial institution is a financial institution that is a member of a consolidated financial institution group that reported an annual net income of at least $1 billion on its consolidated financial statement for the previous calendar year, not including net income attributable to noncontrolling interests.

What is a financial institution?

The definition of a financial institution for this additional tax differs from the definition for income apportionment purposes. A financial institution, for this purpose, generally means any of the following (see RCW 82.04.29004 for the complete definition):

- a business entity chartered under Titles 30A, 30B, 31, 32, and 33 RCW, or registered under the Federal Bank Holding Company Act of 1956, or registered as a savings and loan holding company under the Federal National Housing Act
- a national bank organized and existing as a national bank association according to the provisions of the National Bank Act
- a savings association or federal savings bank, as defined in the Federal Deposit Insurance Act
- a bank or thrift institution incorporated or organized under the laws of any state
- a corporation organized under the provisions of 12 U.S.C. §§ 611 through 631
• an agency or branch of a foreign depository, as defined in 12 U.S.C. § 3101, that is not exempt under RCW 82.04.315
• certain production credit associations organized under the Federal Farm Credit Act of 1933
• a business entity owned more than 50% by, directly or indirectly, any person described above, other than an insurance company liable for insurance premiums tax under RCW 48.14.020 or any other company taxable under Chapter 48.14 RCW
• a business entity that receives more than 50% of its total gross income from finance leases for federal income tax purposes
• any other person that receives more than 50% of its gross receipts from certain financial institution activities, other than an insurance general agent, an insurance business exempt from the business and occupation tax, a real estate broker, or a securities dealer or international investment management company

What amount is subject to tax?

The gross income subject to service and other activities business and occupation tax is also subject to the 1.2% additional tax for specified financial institutions.

For more information

Substitute House Bill 2167

Questions

Call 360-705-6705 with tax questions.