

# Special Notice

*Intended audience: Businesses engaged in advanced computing*

**April 13, 2020**

## Select advanced computing surcharge

Beginning with business activities occurring on or after April 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. The surcharge is equal to the gross income of the business subject to B&O tax under the Service and Other Activities classification, multiplied by the rate of 1.22%. This is in addition to the Service and Other Activities B&O tax rate of 1.5% (for a total of 2.72%).

The amount of surcharge a business or an affiliated group owes will be no more than \$9 million annually.

## Affected businesses

Businesses or affiliated groups that are engaged in advanced computing (or otherwise qualify as a select advanced computing business) and meet the gross revenue threshold of more than \$25 billion worldwide during the prior calendar year are subject to the surcharge. The combined worldwide gross revenue of all members of an affiliated group determines whether the group is 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

The department will establish a separate Advanced Computing account (maintained by the parent company or another designated member of the affiliated group) to report this surcharge. Businesses will report and pay the surcharge on this separate account on a quarterly basis.

Members of the affiliated group will report under the 1.5% rate for the Service and Other Activities classification on their individual returns.

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## 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.

## Advanced computing businesses grossing \$25 billion or less worldwide.

Advanced computing businesses (or advanced computing affiliated groups) that do not meet the annual gross revenue threshold of more than \$25 billion are not subject to the surcharge. However, if the advanced computing business (or affiliated group) had \$1 million or more in taxable income reportable under the Service and Other Activities classification in the prior calendar year, they will be subject to the Service and Other Activities B&O tax rate of 1.75%. (See [Workforce Education](#).)

## 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 as a marketplace facilitator as defined by [RCW 82.08.0531](#), 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** mean 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.

**Control** means the possession, directly or indirectly, of more than 50% of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract, or otherwise.

**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 in the immediately preceding calendar year.

## More information

See [RCW 82.04.299](#)

Visit [dor.wa.gov/WorkforceEducation](http://dor.wa.gov/WorkforceEducation)

## Questions?

Please email [dorteateam2@dor.wa.gov](mailto:dorteateam2@dor.wa.gov) or call 360-705-6218.

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