

Special Notice

Intended audience: Businesses that report under the Service and Other Activities B&O tax classification.

March 13, 2020

Workforce Education – Service and Other Activities Rate Changes

Effective April 1, 2020, the business and occupation (B&O) tax has two tax rates under the Service and Other Activities classification.

What tax rate applies to my business?

Service and Other Activities

If you (or your affiliated group) had taxable income subject to the Service and Other Activities classification in the prior calendar year, you may be subject to a higher tax rate. Use the table below to determine the applicable tax rate for your business.

Taxable income subject to Service and Other Activities* (Prior calendar year)	Tax return line (as of April 1, 2020)	Tax rate
\$1 million or greater	Service and Other Activities (\$1 million or greater in prior year)	1.75%
Less than \$1 million	Service and Other Activities	1.5%

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For tax assistance or to request this document in an alternate format, visit dor.wa.gov or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

*If you are a member of an affiliated group, this figure includes taxable income subject to the Service and Other Activities classification for all affiliated group members.

Scientific Research and Development (R&D)

If you (or your affiliated group) had \$1 million or greater of taxable income subject to the Scientific Research and Development classification in the prior calendar year, you are subject to the 1.75% tax rate. Report your taxable income under the Service and Other Activities (\$1 million or greater in prior year) classification.

If you (or your affiliated group) had less than \$1 million of taxable income in the prior calendar year, the 1.5% tax rate applies and you may report your taxable income under the Scientific Research and Development classification. (See our [Workforce Education webpage](#) for more details.)

Exceptions for specific industries

Real estate brokers

Income from commissions continues to be reportable on the excise tax return under the 1.5% rate of the Service and Other Activities classification, even if commissions earned exceed \$1 million in the prior calendar year.

Real estate brokers that have income other than commissions taxable under RCW [82.04.255](#) (e.g. property management fees) are subject to the 1.75% Service and Other Activities rate, if this income exceeded \$1 million in the prior calendar year. (See our [Workforce Education webpage](#) for more details.)

Hospitals

Hospitals, as defined in RCW [70.41.020](#), continue to report income from providing services to patients and clients under the For Profit Hospital or Public/Non-profit Hospitals B&O tax classifications. Any income from activities subject to service and other activities B&O tax is reported on the excise tax return under the 1.5% rate, even if amounts earned are \$1 million or more in the prior calendar year.

Definitions

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.

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Control means the possession, directly or indirectly, of more than 80% 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.

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

Questions and information

- [ESSB 6492](#)
- RCW 82.04.290
- Visit dor.wa.gov/WorkforceEducation
- Call 1-360-705-6705
You may also [request a tax ruling](#)

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