



# Business Tax Guide

## CITY OF EVERETT BUSINESS TAX DIVISION

### INTRODUCTION

This pamphlet provides a basic description of Everett's gross receipts business and occupation (B&O) tax and focuses on the more typical types of businesses and business activities.

The material is intended for general information purposes only. It is current at the time of publication, but future changes in the Everett Municipal Code or State Law may invalidate some of this information, and not all possible applications of tax are discussed.

Additional information and specifics relating to your business may be obtained in Titles 3 and 5 of the [Everett Municipal Code \(EMC\)](#) or by contacting the Everett Business Tax Division. Visit the City website to view the entire [EMC](#).

The Everett Business Tax Division can be reached at:

Phone: 425-257-8610

Email: [businesstax@everettwa.gov](mailto:businesstax@everettwa.gov)

Website: [everettwa.gov/159/City-Clerk](http://everettwa.gov/159/City-Clerk)

**B&O TAX RATE: 0.1%**

### How to File and Pay B&O Tax

All businesses engaged in any business activity in Everett must be registered with [the Everett Business Tax Division](#). B&O tax returns are mailed to all quarterly taxpayers near the end of each quarter and annual filers each December. The form must be completed and returned with payment of any taxes due by the end of the following month.

Penalties and interest are due if tax returns are not filed and taxes paid by the due date. Penalties and interest are charged as follows:

#### **Penalties:**

1 day – 1 month overdue:

- 9% (\$5 min.)

Over 1 month – 2 months:

- 19% (\$5 min.)

Over 2 months:

- 29% (\$5 min.)

#### **Interest:**

The current interest rate for returns filed after the due date is 4% annually. If the tax paid is less than the amount due, interest is added from the date of underpayment or due date until paid. You have 30 days from the notice of such underpayment to pay the balance due plus interest.

### Helpful Hints on Filing Returns

- Use the returns provided. Substitutions can cause errors.
- Include all appropriate [Schedules](#).
- Failure to receive a tax form does not relieve taxpayers of their tax liability or late filing fees.
- Tax forms must be filed for all active accounts even if no tax is due.
- Make check or money order payable to City of Everett. Do not send cash.
- Send your return to the PO Box listed on the Multi-Purpose Tax form or file online at [www.filelocal-wa.gov](http://www.filelocal-wa.gov).
- If status of ownership changes, you must apply for a new Everett business license.
- Advise the Everett Business Tax Division in writing of changes in address.

### Gross Receipts

The gross receipts B&O tax is primarily measured on gross proceeds of sales or gross revenue for the reporting period. Gross receipts include income from activity both within and outside the city of Everett regardless of your business' physical location. For reporting purposes, businesses have been divided into several classifications. Businesses conducting multiple activities will report in more than one tax classification.

## **Gross Receipts Tax Classifications**

### **Manufacturing/Processing for Hire**

Manufacturing is the business of producing articles for sale from raw or prepared materials by giving these materials new forms or qualities, such as fabricating, processing, refining, mixing, packing, canning, etc. B&O tax is calculated on the value of products manufactured, determined by selling price. Processing for hire means the performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result a new, different, or useful product is produced for sale or commercial or industrial use. B&O tax is calculated on gross receipts.

### **Extracting/Extracting for Hire**

Extracting is the taking of natural products, such as logging, mining, quarrying, etc. B&O tax is calculated on the value of products extracted, determined by selling price. Extractor for hire means a person who performs under contract necessary labor or mechanical services for an extractor. B&O tax is calculated on gross receipts.

### **Retailing/Retail Service**

Businesses that sell products and specific services to consumers are defined as retailers. Taxable retail services include those generally performed on property, such as repair, but not personal or professional services, such as services performed by doctors, attorneys, or accountants. The B&O tax is calculated on gross receipts.

### **Wholesaling**

Sellers of products to persons other than consumers are considered to be wholesalers. The B&O tax is calculated on the wholesale selling price.

### **Printing/Publishing**

Publishers of newspapers, magazines and periodicals are taxable under this classification, as well as persons who both print and publish books, music, circulars, etc. Printing includes letterpress, offset-lithography, and gravure processes as well as multigraph, mimeograph, autotyping, and similar activities. B&O tax is calculated on gross receipts. Firms engaging in photocopying documents should report under the Retailing classification.

### **Services and Other Activities**

Business that provide personal and professional services, such as lawyers, doctors, financial institutions, real estate brokers, insurance brokers and solicitors, and accountants are subject to the B&O tax under this classification. Also, any business that is not subject to another B&O tax classification must report under this “catch-all” category. B&O tax is calculated on the gross receipts of the business.

## **Exemptions, Deductions, and Credits**

The following section discusses a number of the most common exemptions from the gross receipts tax and deductions allowed for certain business activities or sources of income. This discussion is not intended to be all inclusive. If you have questions about exemptions or

deductions, please contact the Everett Business Tax Division.

## **Exemptions**

### **Common Exemptions**

- Taxable gross receipts equal to or less than \$5,000 per quarter for quarterly filers or \$20,000 for annual filers
- Manufacturing, selling, or distributing motor vehicle fuel
- Liquor, beer, and wine sales
- Sale, lease, or rental of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions
- Farm products or edibles raised, produced or manufactured within the State of Washington and sold by the farmer
- Nonprofit organizations holding Federal IRS nonprofit status under [26 U.S.C. Section 501\(c\)\(3\), \(4\), or \(7\)](#), except with respect to retail sales
- Casual and isolated sales, such as an accountant selling his or her office furniture

## **Deductions**

[Schedule D](#) must be completed and returned with the **Multi-Purpose Tax Return** in order for deductions to be accepted and recognized in your tax calculation. Deductions are to be included in the gross receipts amounts and then deducted when calculating the taxable amount on which the gross receipts tax rate applies.

Taxpayers claiming a miscellaneous deduction under the category “Other” must provide a written description of the deduction. If no description is provided, the deduction will be disallowed.

## Common Deductions

- Retail or Wholesale sales delivered outside of Everett
- Credit losses or bad debts
- Cash discounts taken by wholesale or retail customers

## Credits

The [Multiple Activities Tax Credit](#) applies to persons who engage in business activities that are subject to tax under two or more tax classifications on the same revenues. The [MATC form](#) is available online.

A [New Jobs Tax Credit](#) is available to businesses that create 50 or more new full-time employment positions within the city within a twelve-month period, and keep those positions filled for three consecutive years from the date of origination. The credit is equal to \$1,000 per new position.

## 2008 B&O Tax Changes

For tax periods beginning Jan. 1, 2008, the [Revised Code of Washington \(RCW\) 35.102.130](#), requires wholesale and retail sales of tangible personal property to be allocated to the delivery location for taxation.

Revenue taxable under the service & other tax classification will be apportioned using a two-factor (payroll and service-income) apportionment formula method. The [Service Income Apportionment Worksheet](#) is available online.

Other key changes:

- Specific provision for newspaper and publishing businesses
- Specific exemption for professional employer services
- Definition changes

## Other Taxes

### Utility Tax

This tax is similar to the gross receipts business & occupation tax, except it is imposed on utility businesses. The business activities affected by the tax are telephone, natural gas, electricity, cable, and garbage. The rates are as follows:

Telephone	6%
Natural gas	6%
Electricity	6%
Cable	6%
Garbage	6%

### Admission Tax

This tax is levied upon persons who pay an admission charge for entrance to an event or establishment. It is collected for the City by the business charging the admission, similar to sales tax. The admission tax is computed on the ticket price or price of admission. The rate is 5% on each admission charge paid.

### Gambling Tax

Every person who is licensed by the Washington State Gambling Commission (see [RCW 9.46.0237](#) for definition) and conduct gambling activities in the City are required to pay gambling tax. Such activities include bingo games, raffles, amusement games, and punchboards & pull tabs. The rates are as follows:

Amusement Games	2%
Bingo	5%
Raffles	5%
Punchboard/Pull Tabs	5%

## Temporary Licenses

[Temporary business licenses](#) are available at no cost for businesses that will only be engaging in business in Everett for three (3) consecutive days or less in a calendar year and will earn less than \$5,000 in gross receipts from that activity. Contact the Everett Business Tax Division for more information, or apply online for a temporary business license.

## Regulatory Licenses

The following regulatory licenses are administered by the Business Tax Division:

- Dancehalls
- Pawnbrokers, Junk and Secondhand Dealers
- For-Hire Vehicles
- Towing Businesses and Tow Trucks
- Ambulance and Emergency First Aid Services
- Mobile Food Units
- Massage Parlors and Public Bathhouses
- Overnight lodging
- Circuses, Carnivals, Amusement Centers, and Go-Kart Centers
- Traffic Escort Service

## Questions?

If you have questions, please call the Everett Business Tax Division at 425-257-8610, or visit our website at [www.everettwa.gov](http://www.everettwa.gov), or email: [businesstax@everettwa.gov](mailto:businesstax@everettwa.gov).

You may also write to or visit us at:

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Business Tax Division  
2930 Wetmore Ave, Suite 1-A  
Everett, WA 98201