

WAC 458-20-162 Stockbrokers and security houses. (1) Introduction. With respect to stockbrokers and security houses, "gross income of the business" means the total of gross income from earnings accounts, specifically gross income from interest, gross income from commissions, gross income from trading, and gross income from all other sources. Provided that:

(a) Gross income from each account is to be computed separately and on a monthly basis;

(b) Loss sustained upon any earnings account may not be deducted from or offset against gross income upon any other account, nor may a loss sustained upon any earnings account during any month be deducted from the gross income upon any account for any other month;

(c) No deductions are allowed on account of salaries or commissions paid to employees or salesmen, rent, or any other overhead or operating expenses paid or incurred, or on account of losses other than under (b) of this subsection;

(d) No deductions are allowed from commissions received from sales of securities which are delivered to buyers outside the state of Washington.

(2) **Gross income from interest.** Gross income from interest includes all interest received upon bonds or other securities held for sale or otherwise, except direct obligations of the federal government and of the state of Washington. No deduction is allowed for interest paid out even though such interest may have been paid to banks, clearing houses or others upon amounts borrowed to carry debit balances of customers' margin accounts.

Interest accrued upon bonds or other securities sold must be included in gross income where such interest is carried in an interest account and not as part of the selling price. Conversely, interest accrued upon bonds or other securities at the time of purchase may be deducted from gross income where such interest is carried in an interest account and not as a part of the purchase price.

(3) **Gross income from commissions.** Gross income from commissions is the amount received as commissions upon transactions for the accounts of customers over and above the amount paid to other established security houses associated in such transactions: Provided, however, That no deduction or offset is allowed on account of salaries or commissions paid to salesmen or other employees.

(4) **Gross income from trading.** Gross income from trading is the amount received from the sale of stocks, bonds and other securities over and above the cost or purchase price of such stocks, bonds and other securities. In the case of short sales gross earnings must be reported in the month during which the transaction is closed, that is, when the purchase is made to cover such sales or the short sale contract is forfeited.

(5) **Gross income from all other sources.** Gross income from all other sources includes all income received by the taxpayer, other than from interest, commissions and trading, such as dividends upon stocks, fees for examinations, fees for reorganizations, etc.

(6) **Services inside and outside the state-apportionment.** Stockbrokers and security houses engaging in business in multiple states are required to apportion income for B&O tax purposes.

(a) **For periods on and after June 1, 2010.** Effective June 1, 2010, RCW 82.04.460 requires that any person, including stockbrokers and security houses, earning apportionable income subject to B&O tax, and who is also taxable in another state, must apportion to this state

that portion of the person's apportionable income from business activities pursuant to WAC 458-20-19402.

(b) **For periods prior to June 1, 2010.** RCW 82.04.460 authorized apportionment of income by either a separate accounting method or cost apportionment. (See WAC 458-20-194.)

[Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 13-04-085, § 458-20-162, filed 2/5/13, effective 3/8/13. Statutory Authority: RCW 82.32.300. WSR 83-07-033 (Order ET 83-16), § 458-20-162, filed 3/15/83; Order ET 70-3, § 458-20-162 (Rule 162), filed 5/29/70, effective 7/1/70.]