
Finance Committee

HB 1496

Brief Description: Clarifying the apportionment of business and occupation taxes on certain businesses conducted both within and outside the state.

Sponsors: Representatives Sullivan, Cairnes, Gombosky and Sehlin.

Brief Summary of Bill

- Provides Business and Occupation tax apportionment of gross income for travel agents and tour operators.

Hearing Date: 2/4/03

Staff: Bob Longman (786-7139).

Background:

Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Different tax rates apply to six separate categories of business activity. The rate for travel agents and tour operators is 0.275 percent. The general rate for most service business is 1.5 percent.

The B&O tax is imposed on the gross receipts from all business activities conducted within the state. If a taxpayer is subject to the 1.5 percent service rate and has a place of business outside the state that contributes to the performance of a service, the taxpayer must apportion to this state the portion of gross income derived from services rendered in this state. If is not practical to use separate accounting methods to determine the amount of services rendered in this state, the taxpayer must apportion income to this state in proportion to the cost of doing business within this state relative to the total cost of doing business both within and without this state. These apportionment provisions do not apply to travel agents and tour operators. Travel agents and tour operators must pay tax on all services rendered in this state.

Summary of Bill:

A travel agent or tour operator with a place of business outside the state that contributes to

the performance of a service must apportion income to this state in the same manner as other service businesses. The portion of gross income derived from services rendered in this state must be apportioned to this state. If it is not practical to use separate accounting methods to determine the amount of services rendered in this state, the taxpayer must apportion income to this state in proportion to the cost of doing business within this state relative to the total cost of doing business both within and without this state.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.