
Finance Committee

HB 1839

Brief Description: Increasing the investments in our workforce by amending the advanced computing surcharge.

Sponsors: Representatives Reed, Pollet, Berg, Parshley, Scott, Ormsby and Hill.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Removes the per-taxpayer cap on the advanced computing surcharge.

Hearing Date: 2/25/25

Staff: Tracey Taylor (786-7152).

Background:

Business and Occupation Tax.

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. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing and wholesaling; and 1.5 percent (businesses with taxable income of less than \$1 million) or 1.75 percent (businesses with taxable income of \$1 million or more) for services and for activities not classified elsewhere. There are many specialized B&O tax rates and preferential rates that apply to specific business activities.

In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and

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deductions, to reduce their tax liability. For example, a taxpayer engaging in activities subject to different B&O tax rates may be eligible for a Multiple Activities Tax Credit. A taxpayer may also be eligible for a small business credit that will either eliminate or reduce their B&O tax liability. The credit is \$160 per month for taxpayers that report at least 50 percent or greater of their total B&O taxable amount under service and other activities, real estate brokers, and contests of chance and \$55 per month for all other businesses, multiplied by the number of months in the reporting period. The amount of the credit available phases out based on the business's gross receipts.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than \$125,000 per year.

Advanced Computing Business and Occupation Tax Surcharge.

In addition to the applicable business and occupation tax rate, advanced computing businesses with a worldwide gross revenue in excess of \$25 billion are subject to an additional 1.22 percent surcharge (ACS). An advanced computing business is one that designs or develops software or computer hardware, including modifications; provides cloud computing services; or operates an online marketplace, online search engine, or online social networking platform. The total surcharge an advanced computing business is subject to is capped at \$9 million per year. The proceeds from the ACS are deposited into the Workforce Education Investment Account.

Summary of Bill:

The per-taxpayer ACS cap of \$9 million is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 2025.