



City of Renton

Business & Occupation Tax

January 1, 2016

This flyer provides a basic description of Renton's business license fee and 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 City 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 Chapter 5-5 (Business License) and Chapter 5-25 (B&O tax) of the Renton Municipal Code (RMC) or by contacting the City's Tax & License Division. Copies of the Code can be found in the City Clerk's Office and online. The Tax & License Division can be reached at:

Phone: (425) 430-6950
Email: tax@Rentonwa.gov
Website: www.Rentonwa.gov/BnOTax

REGISTRATION & PAYMENT PROCEDURES

All businesses engaged in any business activity in Renton must be registered with the City's Tax & License Division. An annual registration fee of \$110 is required. In addition, a typical business is subject to either a per employee based Business License Fee or a gross receipts based B&O Tax based on the annualized gross receipts generated in Renton. New businesses will be put on an annual reporting schedule initially so the gross receipt level can be determined after the first year. Renewal notices and tax return reminders will be sent to existing businesses approximately 30 days prior to due date. Online tax return and filing will be available, businesses are encouraged to use the online filing system and to pay online. If filing paper returns, all forms must be completed and returned with payment by the specified due date. Penalties and interest are due if tax returns are not filed and taxes not paid by the due date based on current State schedules:

REPORTING PERIOD & PAYMENT SCHEDULE

Taxes are due and payable on the last day of the month following the end of each quarter:

Reporting Period Ending	Return & Payment Due
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

Helpful hints when submitting your tax return:

- Use the online filing system or download the current returns on the city's website. Substitutions can cause errors.
- If filing by paper, make check or money order payable to City of Renton. Do not send cash and credit card payment will not be accepted.
- Online filing payment using eChecks will be free; credit card payments will be accepted but are subject to a 2.5% convenience fee.

HIGHLIGHTS OF THE CITY'S BUSINESS & OCCUPATION TAX

- All businesses doing business in the City, whether located in the City or outside the City, must register annually and pay an \$110 registration fee with the City's Tax & License Division and either a per employee license fee or a new B&O tax.
- Effective January 1, 2016, businesses with annual gross receipts of \$1.5 million or more in Renton will be subject to B&O tax, not the per employee license fee.
- Businesses with annual gross receipts less than \$1.5 million will continue to pay the per employee license fee, not the B&O tax.
- Maximum gross revenue subject to B&O is \$5 billion, adjusted annually by inflation.
- New businesses with 50 or more employees, a B&O tax credit up to \$1,000 per employee per year for the first 3 consecutive years.
- Generally, B&O taxes are due quarterly and the employee license fees are due annually.
- All new businesses will be required to file returns annually during the first year.
- 2016 Per Employee Business License fee: \$67.58 for each 1,920 hours (1 full-time-equivalent employee).
- 2016 B&O tax rates: retail activities: 0.05%; all other activities: 0.085%

OTHER INFORMATION

Taxpayers are required to keep records for a period of five years after filing a tax return. All books, records, invoices, receipts, etc. shall be open for examination at reasonable times by the City.

The City offers free Business Outreach classes to explain the business and occupation tax and to assist businesses on how to file their State and local tax returns. If you are interested in attending, please check the calendar on the website or by calling the City's Tax & License Division at: (425) 430-6950.

COMPONENTS OF B&O TAX

Every person, firm, association, or corporation doing business in the City must register and is subject to either the per employee based business license fee or the gross receipts based business and occupation (B&O) tax. Some exemptions and deductions are provided. The per employee business license fee are generally due annually; and B&O taxes are generally due quarterly. For B&O tax businesses with gross receipts generated in Renton between \$1.5 million and \$2 million per year, an annual return and payment schedule would apply.

GROSS RECEIPTS B&O TAX

The gross receipts B&O tax is primarily measured on gross proceeds of sales or gross income for the reporting period. For purposes of the gross receipts tax, businesses have been divided into several classifications which are discussed below. Businesses conducting multiple activities will report in more than one tax classification. The gross receipts tax is applicable to businesses with annual gross receipts of \$1,500,000 or higher in Renton. The tax rate for retail activities is 0.05%, and 0.085% for all other gross receipts tax classifications.

B&O 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 generated.
- **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.

- **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.
- **Retailing**
Businesses that sell tangible personal property or provide labor and services such as installing, constructing, altering, repairing, cleaning, decorating personal or real properties. The B&O tax is calculated on gross receipts.
- **Retail Service**
Some examples of retail services include amusement and recreation, physical fitness, escrow, insurance, parking, storage services, etc. It also includes the renting or leasing of tangible personal property to consumers and the rental of equipment with an operator. The B&O tax is calculated on gross receipts.
- **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**
Businesses 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, & 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 and may change from time to time. If you have questions about specific exemptions or deductions, please contact the City's Tax & License Division.

Exemptions are typically excluded from the gross receipts amounts. 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. The most common exemptions and deductions are listed below.

Common Exemptions

- 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.
- Insurance agents (brokers are subject to tax).
- Farm products or edibles raised, produced or manufactured within the State of Washington and sold by the farmer.
- Casual and isolated sales, such as an accountant selling his or her office furniture.
- Nonprofit child daycares.

Common Deductions

- Retail or wholesale sales delivered outside of Renton.
- Cash discounts taken by customers.
- Credit losses or bad debts sustained by sellers.
- Bona fide non-profit membership fees, dues, grants, donations, tuition, tradeshows, except with respect to retail sales.

Credits

- 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.
- New Business Tax Credit: for new businesses with 50 or more employees: a tax credit up to \$1,000 per employee per year for the first 3 consecutive years (12 consecutive quarters).