



Business & Occupation Tax Update



Overview

The City is contemplating some changes to the Business and Occupation Tax code. This will be the first update to the B&O tax code since January 1, 2008.

There are three areas with contemplated changes:

- 1 Thresholds
- 2 Incentives
- 3 Retail Service Classification Rate

1

Currently a business in Olympia reporting less than \$20,000 in annual gross receipts does not pay B&O tax.

Over the years, many cities have increased their threshold. The City of Olympia is considering raising the threshold as the amount has not changed since it was established in 2008.

Contemplated Change: Increase the Threshold amount from \$20,000 to \$75,000

Thresholds

| City | Annual Threshold |
|---------------|------------------|
| Olympia | \$20,000 |
| Lacey | \$20,000 |
| Tumwater | \$20,000 |
| Dupont | \$20,000 |
| Des Moines | \$50,000 |
| Port Townsend | \$100,000 |
| Bremerton | \$160,000 |
| Tacoma | \$250,000 |
| Renton | \$500,000 |

2

The City can create exemptions from B&O taxes to provide economic development incentives.

There are two areas that the City would like to see active growth and positive momentum:

- a. Entrepreneurial and Micro-business Start Up
- b. New retail

Incentives

Contemplated Change:

- a. New small business within Olympia city limits with gross income less than \$500,000/year, qualify for a three {3} year exemption from Olympia B&O taxes; and
- b. New retail business within Olympia city limits qualify for a three {3} year exemption from Olympia B&O taxes.

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The City of Olympia B&O Tax Code has seven different classifications: Manufacturing, Printing & Publishing, Wholesaling, Road Construction or Extraction, Retailing, Retail Service, and Service & other activity. Each classification has a rate that is applied to the reported gross receipts.

Retail Service Classification

| Category | No. of Tax Payers | Rate | Annual Tax Revenue |
|---------------------------------|-------------------|---------|---------------------|
| Manufacturing | 56 | 0.00100 | \$ 114,603 |
| Printing & Publishing | 41 | 0.00100 | \$ 15,349 |
| Retail Service * | 392 | 0.00100 | \$ 122,394 |
| Retailing | 2,051 | 0.00100 | \$ 1,884,429 |
| Road Construction or Extraction | 43 | 0.00100 | \$ 17,581 |
| Service & Other Activity | 1,781 | 0.00200 | \$ 3,230,087 |
| Wholesaling | 888 | 0.00100 | \$ 958,001 |
| Total | | | \$ 6,342,444 |

Olympia’s B&O classification and rates are very similar to the Cities of Lacey and Tumwater, with one particular exception – Retail Services*.

In Olympia the Rate for Retail Services is .001, in Tumwater it is .002, and in Lacey there is no Retail Services classification which causes businesses to fall into either the “Retailing” or the “Service and other activity” classification.

**Retail Services Definition: Olympia retail and service rates shall include the sale of or charge made for personal, business, or professional services including amounts designated as interest, rents, fees, admission, and other service emoluments however designated. These include, but are not limited to credit bureau services, landscape maintenance, fitness services, tanning salons and parking.*

| Category | Olympia | Lacey | Tumwater |
|--------------------------|---------|-------|----------|
| Retailing | .001 | .001 | .001 |
| Service & Other Activity | .002 | .002 | .002 |
| Retail Service | .001 | N/A | .002 |

Contemplated Change:

1. Increase the Retail Service Rate to .002 to match the City of Tumwater
or
2. Remove the Retail Service designation to model the structure of the City of Lacey



Need more Information

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