



# Update B&O Tax Discussion

August 19, 2025

Council Study Session





# Agenda

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- Council considering two changes to the B&O Tax program:
  - Increase the Retail tax rate from .001 to .002 – INCREASES city tax revenue
  - Increase the no-tax-due threshold from \$20,000 – DECREASES city tax revenue
    - Two options considered: Threshold to \$200,000 or to \$500,000
- The State increased their B&O taxes this year
  - What do these changes mean for Olympia businesses

# Average B&O Tax

<b>Business Located</b>	<b>B&amp;O Revenues</b>	<b>Taxpayers</b>	<b>Average Tax Paid</b>	
West Side	2,633,198	1,012	\$	2,602
Downtown	522,507	373	\$	1,401
East Side	2,449,541	1,041	\$	2,353
Outside	2,429,960	2,694	\$	902
* Zero Dollar Filers	-	3,813	\$	-
<b>Total</b>	<b>8,035,206</b>	<b>8,933</b>	<b>\$</b>	<b>899</b>

Taxpayers represent businesses at or above the \$20,000 threshold.

Zero Dollar Filers submit a filing but owe \$0 in tax.

A north-south line through Budd Inlet & Capitol Lake divides West Side from East Side; Downtown is the sum of 3 PBIA zones; Outside is outside of City Limits.

# Impacts to B&O Revenue

<b>Business Located</b>	<b>Increase Retail Rate to .002</b>	<b>Raise Threshold to \$200k</b>	<b>Impact from Both Changes</b>
West Side	\$ 1,172,302	\$ (40,827)	\$ 1,127,171
Downtown	163,315	(14,007)	145,579
East Side	442,600	(46,862)	387,979
Outside	750,049	(107,707)	599,002
<b>Total</b>	<b>2,528,266</b>	<b>(209,403)</b>	<b>2,259,731</b>

<b>Business Located</b>	<b>Increase Retail Rate to .002</b>	<b>Raise Threshold to \$500k</b>	<b>Impact from Both Changes</b>
West Side	\$ 1,172,302	\$ (105,669)	\$ 1,046,866
Downtown	163,315	(45,224)	103,609
East Side	442,600	(111,847)	308,825
Outside	750,049	(246,939)	398,668
<b>Total</b>	<b>2,528,266</b>	<b>(509,678)</b>	<b>1,857,969</b>

# Decision Point:

<b>Option</b>	<b>Increase B&amp;O Rate</b>	<b>Raise No-Tax-Due Threshold</b>	<b>Impact from Both Changes</b>
Option 1	Retail to .002	Threshold to \$200 k	+ \$2.3 M
Option 2	Retail to .002	Threshold to \$500 k	+\$1.9 M

# City B&O Impacts

- City of Olympia B&O tax rate increase
- Impact based on a 5 million dollar business filing in two categories:

Category	Gross	Old Rate	New Rate	Increase
Retail	2,500,000	2,500	5,000	2,500
Service & Other	2,500,000	5,000	5,000	0
<b>Total Olympia B&amp;O</b>	<b>5,000,000</b>	<b>7,500</b>	<b>10,000</b>	<b>2,500</b>

Additional Information:

Retail rate increasing from .001 to .002

Current no-tax-due threshold is \$20,000, and may increase to \$200,000 or \$500,000

All businesses must file a B&O Tax Report even if no tax is due

# State B&O Impacts

- 2025 HB-2081 raised the State B&O tax rates
- Impact of HB-2081 based on a 5 million dollar business filing in two categories:

Category	Gross	Old Rate	New Rate	Increase
Retail	2,500,000	11,775	12,500	725
Service & Other	2,500,000	43,750	52,500	8,750
<b>Total State B&amp;O</b>	<b>5,000,000</b>	<b>55,525</b>	<b>65,000</b>	<b>9,475</b>

Additional Information:

Businesses file one State B&O return for all their Washington income (consolidated corporate filing)



Questions?