



# 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
<b>Total</b>			<b>\$ 6,342,444</b>

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:**

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



**Need more Information**

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