



THE CITY OF BREMERTON – TAX & LICENSE DIVISION  
EFFECTIVE JANUARY 1, 2008

**Beginning January 1, 2008, if your business pays B&O taxes to the City of Bremerton under Retailing, Wholesaling, Manufacturing, or Service activities classifications you may need to change how you report revenue on your City B&O tax return.**

**Why the Change?**

In 2003, the Washington State Legislature enacted Engrossed House Bill 2030 (EHB 2030), which provided for a more uniform system of municipal Business & Occupation taxation. The law required all Washington cities levying local B&O taxes to adopt model allocation and apportionment provisions by January 1, 2008. These changes were not sought by the City of Bremerton or other cities, but were instead imposed by the State. For more information concerning the model ordinance and these legislative changes you can visit the Association of Washington Cities website at [www.awcnet.org](http://www.awcnet.org) or the Washington State Department of Revenue website at <http://dor.wa.gov/content/home>.

**What is Changing?**

Prior to January 1, 2008, revenues under all classifications were taxed in the city where the majority of the activity took place and credits applied if your business paid B&O tax in another city. After January 1, 2008, the revenue you report to cities in which you engage in business will vary depending on the classification under which the revenue is reported. In addition, the annual income exemption and wage requirements for the job credit have been increased.

**Allocation**

- **Manufacturing/Extracting** - Allocated to the location where the activity takes place.
- **Retail/Wholesale** – In cases of sales of tangible personal property the activity takes place where delivery to the buyer occurs. (similar to state sales tax changes to “destination-based sourcing” that take effect July 1, 2008)
- **Royalties** – Allocated to the commercial domicile of the taxpayer.
- **Printing/Publishing** – newspapers, periodicals, or magazines are exempt from the general allocation rules for sales of tangible personal property and their revenues are allocated to the principal place in the state from which the taxpayer’s business is directed or managed.

**Apportionment**

Gross revenue derived from service and other activities is apportioned to a city by multiplying service income by a payroll factor plus a service-income factor divided by 2.

$$\text{Total Services Income} \times \frac{(\text{Payroll Factor} + \text{Service-Income Factor})}{2}$$

***Payroll Factor = Total Compensation in City divided by Total Compensation Everywhere.***

Compensation is paid in the city if:

- An employee is **primarily assigned** within the city.
- An employee is not primarily assigned to any place of business for the tax period and the **employee performs 50% or more** of his or her service for the tax period in the city, or
- An employee is not primarily assigned to any place for the tax period, and does not perform 50% or more service in any city and **the employee resides in the city.**

***Service Income Factor = Service Income in City divided by Service Income Everywhere***

Service income is in the city if:

- The **customer location** is in the city.
- The income producing activity is performed in more than one location and a **greater proportion of the service income producing activity** is performed in the city than any other location, based on costs of performance, and the taxpayer is not taxable at the customer location, or
- The **service-income-producing activity is performed within the city**, and the taxpayer is not taxable at the customer location.

“Customer location” is defined as the city or unincorporated area of a county where the “majority of the contacts” between the taxpayer and the customer takes place.

An interactive worksheet to assist you in calculating the payroll and income factors for your business is available on the City of Bremerton website at

<http://www.ci.bremerton.wa.us/forms/finance/ApportionmentWorksheet.xls>.

**Changes to the Annual Income Exemption**

The amount of annual income exempt from B & O tax will increase from \$40,000 to \$60,000 in 2008. This means that the first \$60,000 of gross revenue annually less any allowable deductions is exempt from business and occupation taxes. Please remember to take the exemption on your tax return. Instructions are on the back of the tax return.

Remember, even if you owe no taxes, you are required to file your tax form. Failure to do so in a timely manner will result in penalties to your account. Many quarterly taxpayers were converted to an annual reporting cycle because their historical income fell under the exemption amount. However, if you did not receive a letter from our office notifying you of such a change and you do not receive your 1<sup>st</sup> Quarter 2008 tax form by the 2<sup>nd</sup> week of April, please notify our office immediately to confirm your status. It is the taxpayer’s responsibility to file their tax returns on time, even if they did not receive a form.

Please do not copy old forms and send them in lieu of the correct period forms. This can lead to errors in processing your account. Current forms are available on our website at

<http://www.ci.bremerton.wa.us/forms/finance/BusinessTaxReturn.pdf>.

**Jobs Credit**

The Jobs credit is an incentive to local businesses to create new, permanent, full-time, family-wage jobs. A five year credit of up to \$500 per year per qualifying position may be taken against the local Business & Occupation tax. This year the qualifying wage amount increases from \$17.11 in 2007 to \$17.90 in 2008. If you believe you may qualify to receive this credit, please see detailed information on our website at <http://www.ci.bremerton.wa.us/forms/finance/JobsCreditInfo.pdf>.

Title 3 and Title 5 of the Bremerton Municipal Code containing all Tax and Business License regulations is available at <http://www.codepublishing.com/wa/bremerton.html>. If you need further assistance or have questions you may reach us by telephone or by email at [taxinfo@ci.bremerton.wa.us](mailto:taxinfo@ci.bremerton.wa.us).