
Finance Committee

HB 3244

Brief Description: Clarifying the definition of customer location for purposes of municipal business and occupation taxes.

Sponsors: Representatives Kessler, Orcutt, Grant, Ericks, Hinkle, Linville, McDonald and Kelley.

Brief Summary of Bill

- Amends allocation and apportion requirements for municipal business taxes.

Hearing Date: 2/5/08

Staff: Don Taylor (786-7388).

Background:

Cities are authorized to tax general business activities occurring within their boundaries. (County government has no such authority). Municipal business taxes are typically based on gross business receipts, although many cities impose a business license fee measured by the number of employees or a flat dollar fee for various types of activities. Some cities impose a fee according to the square footage occupied by the firm. Some cities impose multiple forms of local business taxes. Approximately 40 cities currently impose local business taxes which are measured by gross receipts. The rates of such taxes are generally limited to 0.2 percent, unless a higher rate prevailed prior to 1982 or the voters have authorized a higher rate.

In 2003 the Legislature directed that a model local business tax ordinance be developed which provides greater ties to state B&O tax definitions. That statute also directed that, starting on January 1, 2008, cities must provide for allocation and apportionment of gross receipts, so that more than one municipality does not tax the same income.

Summary of Bill:

The allocation and apportionment requirement for municipal business taxes is amended. It adds a presumption that the location of a customer is the customer's billing address as reflected in the

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seller's records. However, if the majority of the contacts between the taxpayer and the customer take place at a location different from the billing address, then the location of the taxpayer's office may be used as the customer's location. In situations where there is clear and convincing evidence that the taxpayer has manipulated the customer's billing address in order to reduce the municipal tax liability, then the city may require that a different location for the customer be used.

Appropriation: None.

Fiscal Note: Requested on January 28, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.