



A Guide To Business and Occupation (B&O) Tax

PURPOSE OF THE CITY'S B&O TAX

Business and occupation taxes (B&O) are based on the gross revenues of your business. This is similar to the taxation method used by the State of Washington.

This information is for general purposes only and is current as of January 1, 2010. Future changes in the City's Municipal Code or State law may invalidate some of this information. Not all possible applications of tax are discussed.

GUIDE TO THE CITY'S BUSINESS AND OCCUPATION (B&O) TAX

This guide provides a basic description of Bellingham's Business and Occupation (B&O) tax and focuses on the more typical types of businesses and business activities. The material is intended for general information purposes only.

Additional information and specifics relating to your business may be obtained in Chapter 6 of the Bellingham Municipal Code or by contacting the City's Finance Department. Copies of the Code can be found in the Bellingham Public Library, the Finance Department and on-line at <http://www.cob.org/web/bmcode.nsf> The Finance Department may be reached at 360/778-8010.

OBTAINING A BUSINESS REGISTRATION

State Taxes and Business License Requirements

Prior to registering with the City of Bellingham: contact the Washington State [Department of Revenue](#) for information regarding state taxes and Master Business Licenses. You will be assigned a Unified Business Identifier (UBI) number. State Business License prices vary depending on business types. For example, businesses registering a trade name or incorporation, must pay more for business licenses than sole proprietors who don't register trade names. The Department of Revenue can tell you if any additional state licenses or registrations are required for specific businesses.

REGISTERING WITH THE CITY OF BELLINGHAM

1. All businesses engaging in business in the City, whether located in the City or located outside the City limits must be registered with the City's Finance Department.
2. All businesses are subject to the B&O tax unless specifically exempted by Bellingham Municipal Code.
3. Businesses are required to file City tax returns annually, quarterly or monthly. Initial reporting frequency is assigned at the time of registration, based on projected gross receipts.

Where do I go?

After receiving your Master Business License from the State Department of Revenue, contact the City of Bellingham to complete your [Business Registration application](#):

City of Bellingham
Finance Department (360/778-8010) City Hall
210 Lottie Street
Bellingham, WA 98225

Additional contacts are listed at the end of this document.

What do I bring?

- ✓ \$40.00 Registration Fee
- ✓ State UBI #
- ✓ Federal Tax ID# (if applicable)
- ✓ Business Information (name, address, phone, etc.)
- ✓ Owner Information

GROSS RECEIPTS B&O TAX

This tax is primarily measured on gross proceeds of sales or gross income for the reporting period. For purposes of the gross receipts tax, businesses have been divided into several classifications. Businesses conducting multiple activities will report in more than one tax classification.

Gross receipts tax classifications:

- **Extracting/Extracting for Hire:**
Extracting is the taking of natural products, such as logging, mining, quarrying, etc. B&O tax is calculated on the value of products extracted, determined by selling price. Extractor for hire means a person who performs, under contract, necessary labor or mechanical services for an extractor.
- **Manufacturing/Processing for Hire:**
Manufacturing is the business of producing articles for sale from raw or prepared materials by giving these matters new forms or qualities, such as fabricating, processing, refining, mixing, packing, canning, etc. B&O tax is calculated on the value of products manufactured, determined by selling price. Processing for hire means the performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result a new, different or useful product is produced for sale or commercial or industrial use.
- **Retailing/Retail Service:**
Businesses that sell products and specific services to consumers are defined as retailers. Taxable retail services include those generally performed on property, such as repair, but not personal or professional services, such as services performed by doctors, attorneys or accountants.
- **Wholesaling:**
Sellers of products to persons other than consumers are considered to be wholesalers.
- **Service and Other Activities:**
Businesses that provide personal and professional services, such as lawyers, doctors, financial institutions, real estate brokers and accountants, are subject to the B&O tax under this classification. Also, any business that is not subject to another B&O tax classification must report under this category.

B&O TAX RATES (Based on Gross Receipts)

Extracting	Gross Receipts x .0017
Manufacturing	Gross Receipts x .0017
Retailing	Gross Receipts x .0017
Wholesaling	Gross Receipts x .0017
Services and other activities	Gross Receipts x .0044

B&O TAX PAYMENT PROCEDURES

If your taxable gross receipts after deductions are less than \$5,000 in a quarter for quarterly filers, or less than \$20,000 in a year for annual filers, no tax is due. If you are unsure of your filing status, please contact the City Finance Department. This Tax Return must be completed, signed and returned each period *even if no tax is due*.

1. All businesses engaged in any business activity in Bellingham must be registered with the City's Finance Department. A one-time \$40 registration fee is required. B&O tax returns are sent to all taxpayers approximately one month before the due date. The tax return form must be completed and returned with payment of any taxes due by the last day of the month following the end of the reporting period.
2. Taxpayers are required to keep records for the most recent five-year period. All books, records, invoices, receipts, etc. shall be open for examination at reasonable times by the City's Finance Department or designated agent.
3. When submitting your [B&O Tax Return](#), please use the returns provided. Substitutions can cause errors. Make check or money order payable to City of Bellingham. Do not send cash.
4. Advise the Finance Department in writing of changes in address. Changes in status of ownership require a new Business Registration.
5. Penalties and interest are due if tax returns are not filed and taxes paid by the due date (last day of the following month).

B&O TAX SCHEDULE

Tax returns must be filed for each period, even if no tax is due.

If a due date falls on a weekend or holiday, returns are due the next business day.

Business and occupation tax is payable on the following schedule:

MONTHLY RETURNS ↓	QUARTERLY RETURNS		ANNUAL RETURNS ↓
Tax due the last day of the following month	TAX PERIOD	TAX DUE DATE	Tax due January 31
	JAN – FEB – MARCH	APRIL 30	
	APRIL – MAY – JUNE	JULY 31	
	JULY – AUG – SEPT	OCTOBER 31	
	OCT – NOV – DEC	JANUARY 31	

PENALTIES

If a Tax Return is past due, the following penalties must be included in the payment:

- If received after the due date - 5% OF TAX DUE
- If received after the last day of the month following the due date - 15% OF TAX DUE
- If received after the last day of the 2nd month following the due date - 25% OF TAX DUE
- Minimum penalty \$5.00

EXEMPTIONS, DEDUCTIONS, AND CREDIT ALLOWED FOR CERTAIN BUSINESS ACTIVITIES

The following section discusses a number of the most common exemptions from the gross receipts tax, deductions allowed for certain business activities or sources of income, and the multiple activities tax credit. This discussion is not intended to be all inclusive. If you have questions about specific exemptions, deductions, or credit, please contact the City's Finance Department.

Common Exemptions:

- Manufacturing, selling or distributing motor vehicle fuel
- Liquor, beer and wine sales (over 1% alcohol by weight)

- Sale, lease, or rental of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions
- Farm products or edibles raised, produced or manufactured within the State of Washington and sold by the farmer
- Casual and isolated sales, such as an accountant selling his or her office furniture
- Day care (pre-schools are not exempt)

Common Deductions:

PLEASE NOTE: Costs of doing business are not deductible.

Deductions are to be included in the gross receipts amounts and then deducted when calculating the taxable amount on which the gross receipts tax rate applies. The most common deductions are listed below.

- Interstate delivery of retail or wholesale sales
- Foreign retail or wholesale sales
- Cash discounts taken by customers
- Credit losses or bad debts sustained by taxpayers who keep their books on an accrual basis
- Gross receipts reported to and taxed by another local jurisdiction

Credit:

- The multiple activities tax credit applies to persons who engage in business activities that are subject to tax under two or more tax classifications on the same revenues.

OTHER TAXES AND REGULATORY LICENSES

There are several other taxes and regulatory licenses that are administered by the Finance Department which affect businesses in Bellingham. Following is a brief synopsis of the additional taxes and/or regulatory licenses that may apply to your business:

- **Utility Tax:** This tax is similar to the gross receipts business and occupation tax except it is imposed on utility businesses. The business activities affected by this tax are telephone, cellular, gas, electric, cable and garbage. The rate 6.0%. Requirements: Business Registration and Utility tax returns.
- **Admission Tax:** This tax is levied upon persons who pay an admission charge for entrance to an event or establishment. It is collected for the City by the business charging the admission, similar to the sales tax. The admission tax is computed on the ticket price. The rate is 5.0%. Requirements: Business Registration and Admission tax returns.
- **Gambling Tax:** All persons who are licensed by the Washington State Gambling Commission and conduct cardroom or punchboard/pull-tab games in the City are required to pay the gambling tax. The tax rate for cardrooms is 10% of the gross; for punchboard/pull tabs it is 8% of net (gross less wins paid). Requirements: Business Registration and Gambling tax returns.
- **Regulatory Licenses:** The following regulatory licenses are administered by the City's Finance Department and require annual renewal:
 - Adult Entertainment Establishment
 - Adult Entertainer/Manager
 - Canvasser, Door-to-Door Solicitor
 - Carnivals
 - Circuses
 - Handbill Distributor
 - Sidewalk Vending

- Taxicab / For Hire Vehicle
- Taxicab Driver
- Telephone Solicitor

For more information about city registrations and regulatory licenses contact the City Tax Representative at the City of Bellingham Finance Department (360) 778-8010.

COMPLY WITH CITY ZONING AND PARKING REGULATIONS

Businesses must comply with city zoning and parking regulations. Questions concerning zoning and parking should be directed to the Bellingham Permit Center.

FLAMMABLE MATERIALS

If you store flammable materials contact the Bellingham Fire Department.

CERTIFICATES OF OCCUPANCY

The building in which you operate your business must have a Certificate of Occupancy obtained from Bellingham Permit Center, City Hall, 210 Lottie Street, Bellingham, WA.

OTHER INFORMATION

To find out more about City of Bellingham business requirements please refer to Titles 4 and 6 of the [Bellingham Municipal Code](#).

ADDITIONAL CONTACTS

The following list contains addresses and phone numbers of various offices to contact for information

Master Business License

Trade Name Registration

- [Washington State Department of Revenue](#)
(360) 676-2114
1904-A Humboldt Street
Bellingham, WA 98225

Contractor Registration

Employee Regulations

- [Washington State Department of Labor & Industries](#)
(360) 647-7300
1720 Ellis Street #200
Bellingham, WA 98225

Personal Property Tax

- [Whatcom County Assessor's Office](#)
(360) 676-6790
311 Grand Street, Suite 106
Bellingham, WA 98225

Food Handling

- [Whatcom County Health Department](#)
(360) 676-6720
509 Girard Street
Bellingham, WA 98225

City Business Registration

City Regulatory Licenses

- [Bellingham Finance Department](#)
(360) 778-8006
City Hall
210 Lottie Street
Bellingham, WA 98225

Home Occupation Permits

Zoning/Parking & Certificate of Occupancy

- [Bellingham Permit Center](#)
(360) 778-8300
City Hall
210 Lottie Street
Bellingham, WA 98225

Flammable/Hazardous Materials

- [Bellingham Fire Department](#)
(360) 778-8400
1800 Broadway
Bellingham, WA 9822