



A Guide to License & Business and Occupation Tax (B&O)

This guide provides a basic description of Bellingham's business registration process and Business and Occupation (B&O) taxes, which fund a wide variety of general city services, including police, fire, parks, and library. The material is intended for general information purposes only, please refer to the Bellingham Municipal Code or RCW as appropriately referenced in the BMC to ensure you are following the latest code appropriately.

REGISTERING WITH THE CITY OF BELLINGHAM

All businesses engaged in any business activity in Bellingham must be registered with the City's Finance Department, whether the person's office or place of business is within or outside the city or if they are subject to the payment of a tax or not. Business registration is done through the State of Washington Business Licensing Service. A one-time \$40.00 city registration fee is required. Businesses are encouraged to register their trade name for \$5.00 and other fees, such as a \$19.00 state processing fee, as well as the fee(s) for any additional licenses required for your business

New Business Registration for State and City of Bellingham

Complete the state Business License Application including a city business registration and include a City Business License Addendum. Your business will be assigned a Unified Business Identifier (UBI) number. The State of Washington Department of Revenue (Business Licensing Service) can tell you which additional licenses, registrations, or fees are required for your specific business. Keep in mind even if you are not required to register with the Department of Revenue the City of Bellingham requires all businesses to register.

Business(s) already Registered with State, and need City of Bellingham Registration

If you are already a registered business in the state of Washington, and wish to extend your business into the City of Bellingham, you must refile another state Business License Application and include a city business registration addendum. The information you provide will become part of your existing UBI record. You will be subject to a processing fee if you have not registered with the State of Washington within the past 30 days.

If you have any questions about registering your business with the city, please contact the City's Tax Representative at the City of Bellingham Finance Department (360) 778-8012 or email Bellingham.bls@cob.org.

OVERVIEW OF THE CITY'S B&O TAX

The City of Bellingham business and occupation (B&O) tax is a gross receipts tax measured on the value of products, gross proceeds of sales, or gross income of your business. The B&O tax is part of a business' operating overhead and is levied upon the person or company engaged in the business activity. It is not a tax imposed on the purchaser or customer, as is the case with retail sales tax. Almost all businesses located or doing business in the City of Bellingham are subject to the B&O tax, including corporations, LLCs, partnerships, sole proprietors, and nonprofit corporations.

City of Bellingham B&O tax is calculated on the gross revenues of your business. This means there are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. However, your business may qualify for certain exemptions, deductions, or credits. Unlike the retail sales tax, a sale does not have to occur for a business to owe B&O tax. For example, if you extract or manufacture goods for your own use, you owe B&O tax. This is similar to the taxation method used by the State of Washington

The B&O tax rate, is based on the type of business activity. Your business can have multiple activities (classifications). You are responsible for determining which classification(s) to report your income under. If you are unsure of the classification(s), refer to classifications below.

All businesses are subject to the B&O tax unless specifically exempted by Bellingham Municipal Code. 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 of the business.

GROSS RECEIPT TAX CLASSIFICATIONS

Retailing: Selling goods and certain services to consumers. 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: Selling goods and services to businesses who will resell them to others in the regular course of business. The B&O tax is calculated on the wholesale selling price. If you are a wholesaler, you must keep a reseller permit on file from each buyer to document the transaction as a wholesale sale. Do not send reseller permits to the City of Bellingham Finance Department; they must be kept by the wholesaler. Retail sales tax is not collected on wholesale transactions. Reseller permits are good as long as the buyer and seller do business with each other once every 12 months.

Extracting: 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: Firms that manufacture items in the City of Bellingham. Manufactured products used by the manufacturer, but not sold (or used prior to sale), also are subject to B&O tax under this classification. The Manufacturing B&O tax is based on the value of the products, which is usually determined by the selling price. In cases where there is no sale, the value is the selling price of similar products. If the producer sells and delivers the manufactured product within the city, that income is also reported under the Wholesaling or Retailing B&O tax classification. However, tax is only paid on one activity by completing a City of Bellingham Multiple Activities Tax Form to claim the credit.

Service and Other Activities: This classification is for businesses that provide personal and professional services. Any business not described under a particular classification of the B&O tax must report under this category.

B&O TAX RATES (Based on Gross Receipts)

Extracting	.0017
Manufacturing	.0017
Retailing	.0017
Wholesaling	.0017
Services and other activities	.0044

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 must be postmarked, filed online, or returned to the Finance Office by the due date **not the next business day** (BMC 6.05.040)

Business and occupation tax is payable on the following schedule:

MONTHLY RETURNS	QUARTERLY RETURNS		ANNUAL RETURNS
	Tax Period	Tax Due Date	
Tax due the last day of the following month	Jan, Feb, March	April 30	Tax due January 31
	April, May, June	July 31	
	July, Aug, Sept	October 31	
	Oct, Nov, Dec	January 31	

Warning! United States Postal Service only postmarks certain mail depending on the type of postage used. Postage that is not postmarked: Metered mail, pre-canceled stamp, "Forever" Stamps, Automated Postal Center (APC) Stamps, Permit Imprint. Mail may not be postmarked on the same day it is deposited into a receptacle. If a payment is received after the due date with no postmark, the payment shall be considered late and penalties will be imposed.

All correspondence must include your City of Bellingham account number and contact information.

PENALTIES & INTEREST

If a Tax Return is past due, the following penalties must be included in your payment - minimum penalty \$5.00, if tax is due or in accordance with R.C.W. 82.32.090 as it now exists or as it may hereafter be amended.

- If postmarked after the due date: 5% OF TAX DUE
- If postmarked after the last day of the month following the due date: 15% OF TAX DUE
- If postmarked after the last day of the 2nd month following the due date: 25% OF TAX DUE

Effective August 1, 2015

- If postmarked after the due date: 9% OF TAX DUE
- If postmarked after the last day of the month following the due date: 19% OF TAX DUE
- If postmarked after the last day of the 2nd month following the due date: 29% OF TAX DUE

Interest shall be charged in accordance with RCW 82.32.050 as it now exists or as it may hereafter be amended.

If full payment is not made including penalties the return will be considered not paid. Interest payments will be due 30 days from the date of the notice.

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. **A Tax Return must be completed, signed and returned each period *even if no tax is due*.**

There are three ways to file and pay your taxes:

Pay on line: Go "Green" by filing your tax return online and pay using e-Check. Filing online is the fastest and most convenient method to pay your taxes. There is no convenience fee for this service. You can avoid manual entry, postage, and delivery time. All registered businesses are assigned a City Account number (aka Registered Business #) and PIN number for online payments.

All active businesses with an email account on record will receive an email with instructions for paying on line prior to the due. Go the City's Finance Department webpage to file and pay online.

Mail: Complete the B&O Tax Form and mail your payment (check or money order made out to the Finance Director) to:

City of Bellingham
Finance Director
210 Lottie Street
Bellingham, WA 98225

In Person: Bring your return to the Finance Department located on the first floor of City Hall, 210 Lottie Street, Bellingham, WA.

Forms are available at the Finance Office or on our website at <https://www.cob.org/services/business/Pages/business-occupation-tax.aspx>

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 refer to BMC 6.04.090 or contact your accountant.

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:

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 (must be taxed by another city)
- 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.

PLEASE NOTE: Costs of doing business are not deductible.

B&O RECORD KEEPING REQUIREMENTS

1. 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.
2. Advise the Finance Department in writing of changes in contact information. Changes in status of ownership require a new Business Registration.

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. **Contact the City Finance Office for more information and forms.**

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, and cable. The rate is 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
 - Carnivals & Circuses
 - Handbill Distributor
 - Sidewalk Vending
 - Telephone Solicitor

The following regulatory licenses are administered by the City's Police Department (360-778-8800) and require annual renewal:

- Canvasser, Door-to-Door Solicitor
- Taxicab / For Hire Vehicle
- Taxicab Driver

Please note that you must apply directly with the City of Bellingham for any of the regulatory licenses listed above. These are *not* available through the Business Licensing Service.

For more information about city registrations and regulatory licenses contact the City Tax Representative at the City of Bellingham Finance Department (360) 778-8012 email Bellingham.bls@cob.org or visit us online at www.cob.org/business.

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. (360) 778-8300

FLAMMABLE MATERIALS

If you store flammable materials contact the Bellingham Fire Department. (360) 778-8400

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. (360) 778-8300.

OTHER INFORMATION

To find out more about City of Bellingham business requirements please refer to Titles 4 and 6 of the Bellingham Municipal Code. 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) 778-8012 or email Bellingham.bls@cob.org.

ADDITIONAL CONTACTS

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

Business Licensing & City Registration

Trade Name & Registration

Business Licensing Service
Washington State Department of Revenue
1-800-451-7985
PO Box 9034
Olympia WA, 98507-9034

Contractor Registration

Employer Regulations
Washington State Department of Labor & Industries
360-647-7300
1720 Ellis Street #200
Bellingham, WA 98225

Employer Regulations

Washington State Employment Security Department
360-676-2070
1904 Humboldt Street Suite B
Bellingham, WA 98225

Flammable/Hazardous Materials

Bellingham Fire Department
360-778-8400
1800 Broadway
Bellingham, WA 98225

Food Handling

Whatcom County Health Department
360-676-6720
509 Girard Street
Bellingham, WA 98225

Home Occupations

Zoning/Parking & Certificate of Occupancy

Bellingham Permit Center
360-778-8300
City Hall
210 Lottie Street
Bellingham, WA 98225

Personal Property Tax

360-676-6790
Whatcom County Assessor's Office
311 Grand Street, Suite 106
Bellingham, WA 98225