



January 2020

Dear Business Owner:

It is time to complete your 2019 Business & Occupation Tax Return with the City of Bainbridge Island. This packet contains your 2019 Business & Occupation Tax Return forms.

Note there are significant changes to both our forms and state-mandated regulations. Most of these changes relate to apportionment. Apportionment only applies to businesses with income from Service & Other Business Activity (*see Line 3, Column 1 of the B&O Tax Return form*) on both Bainbridge Island and elsewhere. Our B&O Tax web page has additional explanations and resources to help you fill out your 2019 B&O Tax Return correctly:

<https://www.bainbridgewa.gov/1135/Business-Occupation-Tax>

- If you are a nonprofit or entity exempt from filing Business & Occupation taxes, please check the appropriate box at the top of the reporting form and sign and date where indicated at the bottom. Please note, even if you are a nonprofit or exempt entity, all for-profit income must still be reported.
- If your 2019 gross receipts in the State of Washington were less than \$100,000, you are exempted from filing your City B&O Tax Report. To take the filing exemption, check and sign the appropriate box at the top of the reporting form. Return the form to the address provided.
- If your 2019 gross receipts in the State of Washington were more than \$100,000, you must complete the return even if no tax is owed.
- If your 2019 gross receipts on Bainbridge Island were more than \$150,000, you must pay 1/10 of 1% on the amount exceeding \$150,000.
- If your business has closed, you remain subject to B&O taxes on your 2019 gross revenue.
- If you owe no tax, you may now email your return form to the City. Your return must be signed and scanned in PDF format. You may email your zero-tax-due return to finance@bainbridgewa.gov attention "B&O Zero Return."

Your Business & Occupation Tax Return is due by February 29, 2020, to avoid penalty charges. Please contact the City at (206) 780-8591 or finance@bainbridgewa.gov, if you have any questions.

Respectfully,
Finance & Administrative Services
City of Bainbridge Island

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Definitions

The following definitions apply to the City of Bainbridge Island Business & Occupation Tax Return, as provided in Bainbridge Island Municipal Code § 5.05:

Apportionable income means the gross income of the business taxable under the service classifications of a city's gross receipts tax, including income received from activities outside the city if the income would be taxable under the service classification if received from activities within the city, less any exemptions or deductions available.

Gross receipts tax means a tax measured by the amount of, or economic results of, business activity conducted in a city or county within the United States or within a foreign country. The term includes taxes measured in whole or in part on net income or gross income or receipts. "Business activities tax" does not include a sales tax, use tax, or a similar transaction tax, imposed on the sale or acquisition of goods or services, whether or not denominated as a gross receipts tax or a tax imposed on the privileged of doing business.

Compensation means wages, salaries, commissions, and any other form of remuneration paid to individuals for personal services that are or would be included in the individual's gross income under the federal Internal Revenue Code (IRC).

Customer means a person or entity to whom the taxpayer makes a sale or renders services, or from whom the taxpayer otherwise receives gross income of the business.

Customer location means the following:

- A. For a customer not engaged in business, if the service requires the customer to be physically present, where the service is performed.
- B. For a customer not engaged in business, if the service does not require the customer to be physically present:
 1. The customer's residence; or
 2. If the customer's residence is not known, the customer's billing/ mailing address.
- C. For a customer engaged in business:
 1. Where the services are ordered from; or
 2. At the customer's billing/ mailing address if the location from which the services are ordered is not known; or
 3. At the customer's commercial domicile if none of the above are known.

The customer location of a customer under (ii) and (iii) is determined based on a cascading method or series of steps. Only if the first step is unknown may the taxpayer move to the next step and so forth.

Individual means any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee of that taxpayer.

Primarily assigned means the business location of the taxpayer where the individual performs his or her duties.

Service-taxable income or service income means gross income of the business subject to tax under either the service or royalty classification.

Tax period means the calendar year during which tax liability is accrued. If taxes are reported by a taxpayer on a basis more frequent than once per year, taxpayers shall calculate the factors for the previous calendar year for reporting in the current calendar years and correct the reporting for the previous year when the factors are calculated for that year, but not later than the end of the first quarter of the following year.

SECTION I – Apportionable Gross Service Receipts

Line 1: Enter the total company-wide gross service receipts for your business.

Line 2: Enter the amount of gross receipts deductible under City of Bainbridge Island Municipal Code (Exclude any interstate deduction as this schedule apportions company-wide service income.)

Line 3: Subtract Line 2 from Line 1 and enter this amount on Line 3. This is your **Total Apportionable Service Receipts**.

SECTION II – Payroll Factor Worksheet

Line 4:

Enter the City payroll for the following employees:		Payroll Costs
a. Total payroll for employee(s) whose assigned office or work location is located within the City;	a.	
b. Total payroll for employee(s) who are not primarily assigned to any place of business for the tax period and the individual performs fifty percent or more of his/her service for the tax period in the City; and	b.	
c. Total payroll for employee(s) not primarily assigned to any work location for the tax period and the individual does not perform fifty percent or more of his/her service in any City, but that person lives in the City.	c.	
Enter on Line 4 – Total Bainbridge Island Payroll Costs (add Lines a, b, and c) -----▶	d.	

Line 5: Enter on Line 5 the total payroll for all locations (the amount in Line 4 plus the payroll for employees in all other locations outside the City).

Line 6: Calculate **Payroll Factor**. Divide Line 4 by the amount in Line 5 and enter the calculated amount as a percentage on Line 6. If a business has no employees, then there is no payroll factor. If there are no employees within Bainbridge Island, but there are employees elsewhere, then the payroll factor for Bainbridge Island is zero.

SECTION III – Service-Income Factor Worksheet

Line 7:

Enter the Service Gross Receipts in the City:		Service Receipts
a. Total gross receipts from customers whose location is within the City of Bainbridge Island; and	a.	
b. Total gross receipts of service-income-producing activities performed within the City of Bainbridge Island, and are not taxable in the customer location (excluded income).	b.	
Enter on Line 7 – Total Bainbridge Island Service Receipts (add Lines a and b) -----▶	c.	

Line 8: Enter on Line 8 the total company-wide gross service receipts for all locations (the amount in Line 7 plus the gross receipts from all other locations outside the City).

Line 9: Calculate **Service-Income Factor**. Divide Line 7 by the amount in Line 8 and enter the calculated amount as a percentage on Line 9.

SECTION IV – Taxable Service Receipts

Line 10: Add Line 6 to Line 9 and enter the calculated amount on Line 10. This is the **Total Apportionment Factor**.

Line 11: Divide Line 10 by two (the number 2), if two factors remain. If there is no payroll factor, divide Line 10 by one (the number 1). Enter the calculated amount as a percentage on Line 11.

Line 12: Multiply Line 3 by Line 11 and enter the amount on Line 12. This is your City Taxable Service Receipts. Also enter this amount on Line 4, Column 5 of the Annual Business & Occupation Tax Return.



City of Bainbridge Island Annual Business & Occupation Tax Return

Schedule B – Deductions & Exemptions

REPORTING YEAR	UBI NUMBER
2019	

ATTACH TO BUSINESS & OCCUPATION TAX RETURN AND MAIL TO:

Finance & Administrative Services
City of Bainbridge Island
280 Madison Avenue N
Bainbridge Island, WA 98110-1812

SECTION I - DEDUCTIONS

The City of Bainbridge Island Municipal Code §5.05 recognizes certain deductions in computing the gross receipts tax. Any deductions you are claiming must be listed and an explanation provided. All deductions must be fully supported by the taxpayer's books and records. **No unexplained deductions will be allowed. Enter deduction amounts in Column 3 of the Annual Business & Occupation Tax Return.**

Line No.	Type of Deduction	Explanation	Deduction Amount
1	Wholesaling		
2	Retailing/Retail Services		
3	Service & Other (Not apportioned)		
4	Manufacturing/Processing for Hire		
5	Printing/Publishing		
6	Extracting/Extracting for Hire		

SECTION II - EXEMPTIONS

The City allows the following exemptions. Revenue derived from these sources may be subtracted from your total gross revenue taxable by the City. To claim these exemptions, each exemption and the amount you are claiming must be identified. All eligible exemptions claimed not pre-printed on the Schedule must be reflected as "Other" and must be separately identified. All exemptions must be fully supported by the taxpayer's books and records. **No unexplained exemptions will be allowed. Enter exemption amounts in Column 4 of the Annual Business & Occupation Tax Return.**

Line No.	Type of Exemption	Type of Business Activity						Total Exemptions
		Wholesaling	Retailing/ Retail Services	Service & Other (Not Apportioned)	Manufacturing /Processing for Hire	Printing/ Publishing	Extracting/ Extracting for Hire	
7	Commercial Parking Lot							
8	Liquor, Beer, Wine Sales							
9	Motor Vehicle Fuel Sales							
10	Temporary Stationary Business							
11	Out-of-State Sales							
12	Eligible Gross Receipts Tax on the Same Activity Paid to another City							
13	Other (Explain):							

Explanation of categories:

7. Commercial Parking Lot. Gross receipts derived from a commercial parking lot business, which is subject to the City's 30% commercial parking lot tax as mandated by [Chapter 5.10](#) of the Bainbridge Island Municipal Code.
8. Liquor Sales/Motor Vehicle Fuel Sales. Gross receipts derived from the sale of liquor as defined by [RCW 66.04.010](#) and exempted under [RCW 66.08.120](#) and mandated by [Chapter 5.05](#) of the Bainbridge Island Municipal Code.
9. Motor Vehicle Fuel Sales. The sale of motor vehicle fuels as defined by [RCW 66.04.010](#) and exempted under [RCW 82.36.440](#) and mandated by [Chapter 5.05](#) of the Bainbridge Island Municipal Code.
10. Temporary Stationary Business. Gross receipts from a "temporary stationary business" as defined by [Chapter 5.40](#) of the Bainbridge Island Municipal Code Note: If the fee was paid for a City business license, the business is not a "temporary stationary business."
11. Out-of-State Sales. Gross receipts for out-of-state sales for which you receive a tax credit on Schedule C as mandated by [Chapter 5.05](#) of the Bainbridge Island Municipal Code.
12. Eligible Gross Receipts Tax on the Same Activity Paid to Other City/Cities. The amount of eligible gross receipts tax paid to another city for the same activity as defined by [Chapter 5.05](#) of the Bainbridge Island Municipal Code. The city or cities to which you paid the tax must be identified to claim this exemption.
13. Other Exempt Activity. Gross receipts from any other business not subject to taxation by the City as directed by State law as outlined in [Chapter 5.05](#) of the Bainbridge Island Municipal Code. The exempt activity must be identified to claim exemption.

