



January 2022

Dear Business Owner:

It is time to complete your 2021 City of Bainbridge Island Business & Occupation (B&O) tax return. Enclosed is your B&O tax return packet.

City forms comply with State-mandated regulations. Key highlights are bulleted below. Our B&O Tax web page has explanations and resources to help you complete your tax return correctly: <https://www.bainbridgewa.gov/1135/Business-Occupation-Tax>.

- New for the 2021 tax year: COVID related grants (e.g., City business grants) or debt forgiveness (e.g., Paycheck Protection Program (PPP) loan forgiven) received from a governmental or tribal agency must be included in gross revenue but are nontaxable and may be taken as an exemption on schedule B.
- If you are an IRS 501c3 nonprofit or otherwise exempt from filing B&O taxes, check the appropriate box at the top of the return and sign and date at the bottom. Mail your return to the address provided. Please note, even if you are a nonprofit or exempt entity, all for-profit revenue must still be reported.
- If your 2021 gross revenue on Bainbridge Island was less than \$150,000, you are exempt from filing your B&O tax report. To take this exemption, check the appropriate box at the top of the return, report your gross receipts on the line provided, and sign and date at the bottom. Mail your return to the address provided.
- If your 2021 gross revenue on Bainbridge Island was more than \$150,000, you must complete the return even if no tax is owed.
- If your 2021 gross receipts on Bainbridge Island were more than \$150,000, you must pay 1/10 of 1% (that is, 0.001) on the amount exceeding \$150,000.
- If your 2021 gross revenue on Bainbridge Island is from an apportionable service activity taxable on both Bainbridge Island and another jurisdiction, and that gross revenue on the island exceeds \$150,000, Schedule A must be completed. Apportionable service revenue also applies to remote employees working on the island.
- If your business has closed, you remain subject to B&O taxes on your 2021 gross revenue.
- If you owe no tax, you may email us your return. Your return must be signed and scanned in PDF format. You may email your zero-tax-due return to taxes@bainbridgewa.gov attention "B&O Zero Return."

Your B&O tax return is due by April 15, 2022, to avoid penalty charges. Please contact the City at (206)780-8591 or taxes@bainbridgewa.gov, if you have any questions.

Respectfully,
Finance & Administrative Services
City of Bainbridge Island

Definitions

The following definitions apply to the City of Bainbridge Island Business & Occupation Tax Return, as provided in Bainbridge Island Municipal Code § 5.05. Additional definitions are provided on the B&O webpage at <https://www.bainbridgewa.gov/1135/Business-Occupation-Tax>.

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.

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/mailling address.
- C. For a customer engaged in business:
 1. Where the services are ordered from; or
 2. At the customer's billing/mailling 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.

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.

Gross Revenue in the City means any revenue generated as the result of engaging in business within the jurisdictional boundaries of the City. Gross revenue means all revenue generated by the business when the business is physically located within the jurisdictional boundaries of the City. The City does not acknowledge a distinction between wholesale and retail for Business & Occupation Tax purposes.

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.

Instructions and Worksheets for Schedule A – Service & Other Income Apportionment

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 <u>not</u> primarily assigned to <u>any</u> 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) <u>not</u> primarily assigned to <u>any</u> work location for the tax period and the individual does <u>not</u> 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 on 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 <u>not</u> 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
2021	

**ATTACH TO BUSINESS & OCCUPATION
TAX RETURN AND MAIL TO:**

City of Bainbridge Island
PO Box 94304
Seattle, WA 98124 6604

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.	Business Activity	Deduction Type and 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	
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.

