

City of Auburn Business & Occupation Tax Guide

This pamphlet provides a basic description of Auburn'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. It is current at the time of publication, but future changes in the city code or state law may invalidate some of this information, and not all possible applications of tax are discussed.

Additional information and specifics relating to your business may be obtained in Chapters 3.53 and 3.54 of the Auburn City Code or by contacting the city's Tax Division. Copies of the code can be found online at [Auburn Municipal Codes \(ACC\)](#).

The Tax Division can be reached at:

📧 tax@auburnwa.gov

🌐 auburnwa.gov/BandOtax

BUSINESS LICENSE INFORMATION

To conduct business in Auburn, businesses must register with the city and obtain an Auburn business license if they meet any of the following criteria:

- They have a physical location in the city and/or establish a physical presence (nexus) according to ACC 3.53.020 (K), or
- Their annual B&O taxable gross receipts in the city will exceed \$2,000 and they have physical nexus in the City, or
- They are subject to other taxes administered by the city such as utility taxes.

You must still obtain all applicable regulatory licenses and permits. If a regulatory license is required, you will need to remit an application with the appropriate addendums.

Business licensing and B&O tax services are two separate programs. If you have questions about how to obtain a business license or how to renew a business license, please use the following contact information:

📧 businesslicenses@auburnwa.gov

🌐 auburnwa.gov/businesslicense

B&O TAX PAYMENT PROCEDURES

For B&O Tax please complete the Multipurpose Tax form available online here: auburnwa.gov/BandOtax. Soon you will be able to register & file on-line at FileLocal-WA.gov. A service fee will apply. B&O tax returns or portal filing reminders are sent to all taxpayers near the end of each reporting period. Returns must be completed and remitted with payment of any taxes due by the due date. Penalties and interest are due if tax returns are not filed and taxes paid by the due date.

Penalties and interest are charged as follows:

1 day-1 month overdue	9% (\$5 minimum)
Over 1 month-2 months	19% (\$5 minimum)
Over 2 months	29% (\$5 minimum)

Annual interest rate for 2022 is 2%.

B&O TAX SCHEDULE

Quarterly multi-purpose tax return is due on the following schedule:

Quarter Ending	Payment Due
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

Annual Ending	Payment Due
December 31	April 30 the following year

Helpful hints when submitting your tax return

- Use the returns provided. Substitutions can cause errors.
- Make check or money order payable to City of Auburn. Do not send cash.
- Mark the Tax form if changes in address or status of ownership occurred and write new information either on the form or enclose a letter with your tax return.

A tax return is due if a business is placed on a filing status even if below Auburn’s tax exemption levels. 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 Tax Division or designated agent.

HIGHLIGHTS OF THE CITY’S B&O AND SQUARE FOOTAGE TAX

- All businesses registered to do business with the city, whether located in the city or located outside the city limits, must report to the city based upon their assigned reporting frequency by the City of Auburn’s Tax Division.
- All businesses are subject to the business and occupation (B&O) tax unless specifically exempted by Auburn City Code (ACC).
- B&O tax is due for businesses with annual companywide gross receipts over \$500,000.
- Square Footage Tax: Classifications and Minimum Thresholds:
 - Business Warehouse Floor Space - 4,000 taxable square feet
 - Outdoor Warehouse Space -261,360 taxable square feet.
- If your business does not meet the threshold filing criteria above, your business does NOT need to file an annual tax return and will be assigned to Non-filing status.
- 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 Tax Division or designated agent.
- Current B&O tax rates

Category	Tax Rate
Gross Receipts Tax	
Retail	0.05%
Wholesale	0.18%
Retail Services	0.15%
Services/Service & Other Apportioned	0.10%
Manufacturing/Extracting/ Printing/Publishing	0.10%
Other	0.10%
Square Footage Tax	
Per square foot/per quarter	\$0.10

Tax is due only on either Square Footage Tax or Gross Receipts Tax, whichever tax amount is higher.

COMPONENTS OF THE CITY’S B&O TAX

There are two components of the business and occupation tax: gross receipts and square footage. These B&O taxes support general governmental services and the City’s Capital Investment Program.

Every person, firm, association, or corporation doing business in the city is subject to the business and occupation tax.

Some exemptions are provided from the City’s B&O tax and will be discussed later in this pamphlet. In general, most businesses will report in the gross receipts business tax category. A number of businesses will report in the square footage tax category. A limited number of businesses will report in both categories; However, the tax will be due on only one of those two – whichever is higher.

GROSS RECEIPTS B&O TAX

The gross receipts B&O 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 which are discussed below. Businesses conducting multiple activities will report in more than one tax classification.

Gross receipts B&O tax threshold:

B&O tax is due for businesses with Companywide Gross receipts more than \$500,000 annually. If you report quarterly using estimated annual gross proceeds, you may reconcile at year-end. If you ended up under an annual \$500,000 B&O tax threshold for this year, you may submit an amended return and provide a proof. City may request additional information and exam your records, per ACC 3.54.080.

Gross Receipts Tax Classifications:

Manufacturing/Processing for Hire

Manufacturing is the business of producing articles for sale from raw or prepared materials by giving these materials 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. B&O tax is calculated on gross receipts.

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. B&O tax is calculated on gross receipts.

Wholesaling

Sellers of products to persons other than consumers are considered to be wholesalers. The B&O tax is calculated on the wholesale selling price.

Retailing

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. The B&O tax is calculated on gross receipts.

Retail Service

Businesses engaged in amusement and recreation services including but not limited to golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, batting cages, day trips for sightseeing purposes, and others, abstract, title insurance, and escrow services; credit bureau services; automobile parking and storage garage services; landscape maintenance and horticultural services; service charges associated with tickets to professional sporting events; and the following personal services: physical fitness services, tanning salon services, tattoo parlor services, steam bath services, Turkish bath services, escort services, and dating services; the term shall also include the renting or leasing of tangible personal property to consumers and the rental of equipment with an operator. The B&O tax is calculated on gross receipts.

Printing/Publishing

Publishers of newspapers, magazines and periodicals are taxable under this classification, as well as persons who both print and publish books, music, circulars, etc. Printing includes letterpress, offset-lithography, and gravure processes as well as multigraph, mimeograph, autotyping, and similar activities. B&O tax is calculated on gross receipts. Firms engaging in photocopying documents should report under the Retailing classification.

Services and Other Activities Apportioned

The apportionment of service income allows businesses to divide their taxable revenue and their taxes proportionately among the Washington cities in which they do business. Examples of businesses that report service income include accountants, lawyers, architects, engineers and many other professional service firms. Businesses that report revenue under the classification of "Service and Other Business Activities" on their City of Auburn business tax return will calculate apportionment of this revenue. Effective January 1, 2020, gross income derived from all activities other than those taxed as service or royalties under ACC 3.53.040(A)(7) shall be apportioned to the city by multiplying apportionable income by a fraction, the numerator of which is the payroll factor plus the service income factor and the denominator of which is two. In the case of sales of tangible personal property and digital products, the activity takes place where delivery to the buyer occurs. Essentially, the new apportionment method redefines "customer location" for purposes of apportionment.

SQUARE FOOTAGE TAX

The square footage B&O tax was implemented to tax those business who leases, owns, occupies, or otherwise maintains a warehouse or outdoor warehouse within the city for purposes of engaging in business activities in the city there shall be a tax measured by the number of square feet of business warehouse floor space or outdoor warehouse space. The amount of the tax shall be equal to \$0.10 for each quarterly period of a calendar year for each square foot of warehouse or outdoor warehouse floor space that is leased, owned, occupied, or otherwise maintained within the city during the reporting period, calculated to the nearest square foot.

The square footage tax imposed in subsection ACC 3.53.040 (B) of shall not apply to any person unless that person's total area of business space within the city exceeds one of the following thresholds:

- a. Four thousand taxable square feet of business warehouse space; or
- b. Two hundred sixty-one thousand three hundred sixty taxable square feet (six acres) of outdoor warehouse space;

The square footage B&O tax is reported under the Square Footage Tax Classification on the multi-purpose tax return Section 2. If Square Footage tax is less than or equal to the B&O Gross Receipts tax (Section 1), no square footage B&O tax is due. City B&O tax imposed only on one of those two B&O taxes – whichever is higher. This rate may be reviewed annually to reflect the effects of inflation or deflation on the local economy.

COMMON EXEMPTIONS

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 and deductions allowed for certain business activities or sources of income. This discussion is not intended to be all inclusive. If you have questions about specific exemptions or deductions, please contact the city's Tax Division.

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 exemptions and deductions are listed below:

- Manufacturing, selling or distributing motor vehicle fuel.
- Liquor, beer, and wine sales.
- Sale of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions.
- Lease or rental of real estate for a continuous period of 30 days or longer.
- Insurance agents (brokers are subject to tax).
- 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.
- Accommodation Sales.
- Adult Family Homes.
- Day Care Provided By Churches.
- Operation of Sheltered Workshops.

For the full list of the exemptions and its explanations refer to ACC 3.53.100.

COMMON DEDUCTIONS

- Retail or wholesale sales delivered outside of Auburn.
- Cash discounts taken by customers.
- Credit losses or bad debts sustained by sellers.
- For the full list of the deductions and its explanations refer to ACC 3.53.110.

CREDITS

- **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.
- **New Business Tax Credit** applies the taxpayer has not, for any period of time, engaged in business in the City of Auburn within the five (5) years preceding application of the tax credit; must employ twenty (20) or more full-time equivalent positions in Auburn. An FTE position is defined as each one thousand nine hundred and twenty (1,920) worker hours per calendar year. Tax credit is one thousand dollars (\$1,000) per FTE position in the City of Auburn per quarter (applies only to Quarterly filers). The tax credit can be taken for the first twelve (12) consecutive reporting quarters or three (3) reporting years. For further details refer to City Tax Guide and ACC 3.53.120.

OTHER TAXES AND LICENSES

There are several other taxes and regulatory licenses that are administered by the city which affect businesses in Auburn. 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, water, sewerage, drainage, cable, and garbage. The Solid Waste rate is 10% and the rest of the utility tax types are at 6%.

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%.

Gambling Tax: All persons who are licensed by the Washington State Gambling Commission and conduct gambling activities in the city are required to pay the gambling tax. Such activities include bingo games, raffles,

amusement games, and punchboards & pulltabs. The rate ranges from 1.0% to 5.0%.

OTHER INFORMATION

All businesses should make every effort to be fully informed of their tax liability, since the final responsibility for proper tax reporting rests with the taxpayer. Failure to receive a tax form does not relieve taxpayers of their tax liability.

Voluntary Registration

Upon any unregistered taxpayer doing business in Auburn that voluntarily registers prior to being contacted by the City, the City shall not assess back taxes or interest for more than four calendar years prior to the year of registration.

Small Business Workshops

Tax & License will offer soon a free Small Business Workshops to explain the business and occupation tax and to assist businesses when filing their tax returns. If you are interested in attending, email to tax@auburnwa.gov.

QUESTIONS?

Contact the City of Auburn Tax Division

- ✉ tax@auburnwa.gov
- 🌐 auburnwa.gov/BandOtax
- ✉ 25 W Main Street, Auburn, WA 98001