

This Week in State Tax (TWIST)

October 14, 2024



Washington: Annual Reconciliation of B&O Apportionable Services Due October 31

Taxpayers reporting apportionable income on their Washington Business and Occupation Tax (B&O) returns are required to file an annual report reconciling the apportionable income reported on their B&O returns in the prior calendar year with actual apportionable income for that period and to pay any tax due on additional receipts. The report is due by October 31 each year, and failure to comply can result in the imposition of penalties as high as 29 percent on unpaid tax.

The B&O tax is a gross receipts levy in which the tax rate varies by type of business activity. Certain business classifications (e.g., services and royalties) are required to apportion their income according to various sourcing rules to determine the amount taxable in Washington. Taxpayers reporting apportionable income are allowed to calculate the receipts factor for the current tax year based on the most recent calendar year for which information is available for all twelve months, rather than computing the actual allocation for each reporting period. The annual reconciliation then adjusts the receipts reported under the prior year factor with the actual receipts computed upon completion of the year.

If a taxpayer fails to file the reconciliation and pay any tax due timely, it may result in imposition of penalties as high as 29 percent if the Department on audit or otherwise subsequently increases the taxpayer's apportionable receipts. The penalty can be assessed even if a timely filed reconciliation would have resulted in a "no change" report. Likewise, if the Department reclassifies certain income to apportionable on audit, the penalty can be assessed even if the taxpayer did not report any apportionable receipts in the relevant tax year, and therefore felt it had no obligation to file the reconciliation. For more information, contact [Michele Baisler](#) or [Alexander Low](#).

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