



"Building A Stronger Community  
TOGETHER"

# Doing Business in the City of Shelton

## City of Shelton 's Business License Requirements and Business and Occupation Tax (B&O)

1. All businesses "doing business" in the city, whether located inside or outside the city, must obtain a City of Shelton Business License for \$25.
2. All businesses are subject to B&O tax unless exempted by Shelton Municipal Code.
3. Businesses with gross receipts of less than \$20,000 annually or \$5,000 quarterly are not subject to B&O tax. Returns must be filed even if no tax is due.

### Current B&O Tax Rates:

B&O tax is calculated on gross receipts at a rate of 0.1% for all classifications.

### B&O Tax Payment Procedures

1. The tax return form must be completed and postmarked by the last day of the month following the reporting period.
2. 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 or designated agent.
3. When submitting your tax return:
  - Use the returns provided.
  - Use the pre-addressed envelope.
  - Make check or money order payable to City of Shelton. Do not send cash.
  - Advise the City of Shelton of changes in address or ownership.
  - Penalties and interest are due if tax returns are not postmarked by the due date.

### Penalties

- 1-30 days late - 5% (\$5 minimum)
- 31-60 days late - 15% (\$5 minimum)
- 61 days & over - 25% (\$5 minimum)

### Reporting Frequency

Businesses must file monthly, unless the City approves a different reporting schedule. Tax Reports must be filed, even if there was no business activity during the taxable period. To avoid penalties, return the B&O Tax Report and write "*no activity*" for the gross amount.

### Quitting Business

If your business is no longer operating within the City limits, notify the City immediately. Your Business and Occupation Tax Account will be closed once we have received a final tax report.

### Business Address Changes

Mailing address changes should be indicated on your B&O Tax Report. Businesses that change locations within the city limits will need to apply for a new business license. Applications are available at 525 West Cota, or call 360-426-9731.

## About the City's B&O Tax

B&O taxes support general governmental services. B&O tax generates about \$450,000 per year. Every person, firm, association, or corporation doing business in the city is subject to the B&O tax based on gross receipts. This means that the General Contractor pays tax calculated on their gross, and each of his sub-contractors, pays tax based on their individual gross. Some call B&O the "pyramid tax" for this reason. Some exemptions are provided from the city's B&O tax, see below. All businesses report based on their gross receipts.

## B&O Tax Classifications

For B&O tax purposes, businesses are divided into six classifications. Businesses conducting multiple activities will report in more than one tax classification.

1. **Extracting** is taking of natural products, such as logging, mining, quarrying, etc. The B&O tax is calculated on the value of products extracted, determined by selling price.
2. **Manufacturing/Construction** is the business of producing articles from raw or prepared materials, giving these matters new forms or qualities, such as fabricating, processing, refining, mixing, packing, canning, etc., or building, repairing, improving any street, road, highway, etc. which is used for foot or vehicular traffic. The B&O tax is calculated on the value of products manufactured, as determined by selling price or gross receipts.
3. **Wholesaling** is sellers of products to persons other than consumers are considered to be wholesalers. The B&O tax is calculated on the wholesale selling price.
4. **Retail Sales** is businesses that sell products to consumers. The B&O tax is calculated on gross receipts.
5. **Printing/Publishing** of newspapers, magazines, and periodicals are taxable under this classification, as well as persons who both print and publish books, music, circulars, etc. The B&O tax is calculated on gross receipts. Photocopying documents is considered Retail.
6. **Retail Service** is businesses that sell specific services to consumers. Taxable retail services include those generally performed on property, such as repair, and also on personal or professional services, such as doctors, attorneys, or accountants. The B&O tax is calculated on gross receipts.
7. **Other Business** is any business activity that does not fit in one of the first six classifications. Any business that is not subject to another B&O tax classification must report under this category also. The B&O tax is calculated on the gross receipts of the business.

## Exemptions and Deductions Allowed for Certain Business Activities:

The following section discusses the most common exemptions and deductions from the B&O tax. If you have questions about specific exemptions contact the city.

### Exemptions

- Sale, lease, or rental of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions.
- Insurance agents who pay insurance premium taxes to the state.
- Farm products or edibles raised, produced or manufactured within Washington and sold by the farmer or gardener.
- Casual and isolated sales, such as an accountant selling his or her office furniture.
- Sales related to motor vehicle fuel.
- Liquor sales.

### Deductions

- Cash discounts taken by customers.
- Manufacturing, selling or distributing motor vehicle fuel.
- Credit losses or bad debts sustained by sellers.
- Gross receipts reported to and taxed by another local jurisdiction in Washington.

Costs of doing business like insurance, rent or salaries are not valid deductions.

## Questions?

Please call Diana at (360) 432-5107, or write to the City of Shelton at 525 W. Cota St., Shelton, WA 98584.