

Service Income Apportionment Worksheet City of Shelton

Why have we sent this worksheet in addition to your tax form? Effective January 1, 2008, the method used to allocate and apportion your revenue between locations for business & occupation (B&O) taxes changed to comply with RCW 35.102.130. This new method uses a two-factor formula to determine how income taxable under the city's service and other B&O tax classification is apportioned between multiple locations when a taxpayer is engaging in business in more than one jurisdiction.

Who should complete the apportionment worksheet? Only those taxpayers that earn gross receipts from activities subject to a city's service and other B&O Classification and which have a taxable presence in more than one jurisdiction need to complete this worksheet.

I. Calculate Apportionable Gross Service Receipts		
Enter total gross apportionable service receipts from all sources	\$	1a
Deduct: Deductible service gross receipts (excluding Interstate)	\$	1b
Total service receipts (line 1a minus 1b)	\$	1c

II. Calculate Payroll Factor		
Enter total City of Shelton payroll costs *	\$	2a
Enter total payroll costs	\$	2b
Payroll factor (line 2a divided by line 2b)	%	2c

III. Calculate Service-Income Factor		
Enter total City of Shelton service receipts (before deductions)	\$	3a
Enter total gross receipts (same as amount on line 1a)	\$	3b
Service Income factor (line 3a divided by line 3b)	%	3c

IV. Calculate City Taxable Service Receipts		
Payroll Factor + Service-Income Factor (before deductions) (add lines 2c & 3c)	%	4
Apportionment Factor Line 4 divided by 2 (unless there is no payroll factor)*	%	5
City taxable service receipts (line 1c multiplied by line 5)	\$	6
Enter this amount on your Tax Return under Retail Services, column 2		

* If a business has no employees in any location, such as a sole proprietorship without any employees, then the payroll factor is zero and the apportionment reverts to a single factor formula using the service factor only. In this case divide the service factor by 1.

**If You Claim Service Income Apportionment,
Return this worksheet with the City of Shelton B&O Tax Return.**

Instructions are on the back of this Worksheet.

Instructions for Service Income Apportionment Worksheet City of Shelton

I. Gross Service Receipts

Line 1a: Insert the total gross service receipts for your business.

Line 1b: Insert the amount of receipts deductible under Shelton Municipal Code Sec. 3.52.100 Deductions. (Excluding any interstate deduction, this worksheet apportions worldwide service income.)

Line 1c: Subtract line 1b from line 1a and enter this amount on line 1c. This is your total apportionable service receipts.

II. Payroll Factor

Enter the in City of Shelton payroll compensation for the following employees:

Payroll costs

a. Total payroll for employee(s) whose assigned office or work station is located within the City of Shelton;	a.	
b. Total payroll for employee(s) who are not primarily assigned to any place of business for the tax period and that individual performs fifty percent or more of his or her service for the tax period in the City of Shelton; and	b.	
c. Total payroll for employee(s) not primarily assigned to any place of business for the tax period, and the individual does not perform fifty percent or more of his or her service in any city, but that person resides in the City of Shelton.	c.	
Line 2a - Total City of Shelton payroll - add lines a, b, and c Enter here and on line 2a of the apportionment worksheet.	d.	

Line 2b: Enter the total payroll for all locations (the amount in line 2a plus payroll for employees in all locations other than the city).

Line 2c: Calculate Payroll Factor – Divide line 2a by the amount in line 2b this is your payroll factor. Also enter this amount calculated as a percentage on line 2c. (If the business has no employees, then there is no payroll factor. If there are no employees within the city but there are employees elsewhere, then the payroll factor is zero for the City of Shelton.)

III. Service-Income Factor

Service gross receipts are in the City of Shelton if:

Service receipts

a. The customer location is in the City of Shelton; or	a.	
b. The income-producing activity is performed in more than one location and a greater proportion of the service-income-producing activity is performed in the City of Shelton than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or	b.	
c. The service-income-producing activity is performed within the City of Shelton, and the taxpayer is not taxable in the customer location.	c.	
Line 3a - Total City of Shelton receipts - add lines a, b, and c Enter here and on line 3a of the apportionment worksheet.	d.	

Line 3b - Insert the total gross service receipts for receipts everywhere (same amount as line 1a), including gross receipts within and outside the city, on line 3b.

Line 3c: Calculate Service-Income Factor – Divide line 3a by the amount in line 3b this is your service-income factor. Enter this amount calculated as a percentage on line 3c.

IV. Taxable Service Receipts

Line 4: Add line 2c and line 3c and enter the amount on line 4. This is the total apportionment factor.

Line 5: Divide line 4 by two (the number 2) if two factors remain. (See line 2c above.)

Line 6: Multiply line 1c by line 5 and enter the amount on line 6. This is your City of Shelton taxable service receipts. Also enter this amount on line 6 entitled “Retail Services” in column 4 entitled “Taxable Receipts” of the tax return.