

Gross Receipts:

Washington Ruling Addresses B&O Tax Sourcing of Various Intercompany Service Revenue Streams

Det. No. 18-0302, 40 WTD 064 (2021), Wash. Dept. of Rev., Admin. Rev. & Hrgs. Div. (4/5/21). In an administrative ruling involving how an out-of-state distribution center must source receipts from various services that it provides to affiliated entities (including the receipt, repackaging, storage and shipment of tangible personal property) for state business and occupation (B&O) tax purposes, the Administrative Review and Hearings Division of the Washington Department of Revenue (Division) generally held that the taxpayer must apportion its income based on the nature of the specific services it offers along what may be deemed a “distribution continuum,” and that determining where the affiliates receive the benefit of its services largely depends on the nature of the specific service it provides. According to the Division, this endeavor, in turn, requires separate analyses of each specific service provided by the distribution center to its affiliated customers to determine whether these customers may fairly be said to have received the benefit of the distribution center’s services in Washington versus elsewhere. Please contact us with any questions.

URL: <https://dor.wa.gov/sites/default/files/legacy/Docs/Rules/wtd/2021/40WTD064.pdf>

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