

Gross Receipts:

Washington Appellate Court Agrees that Investment Funds are Ineligible for Investment Income Deduction

Case No. 57312-1-II, Wash. Ct. App. (4/11/23). In a published opinion involving sixteen investment funds (*i.e.*, “the LLCs”), a Washington Court of Appeals (Court) affirmed the trial court’s order granting summary judgment in favor of the Washington Department of Revenue (Department) that the LLCs’ investment income did *not* qualify for a former deduction from the measure of Washington business and occupation (B&O) taxes because pursuant to a 1986 Washington Supreme Court decision, the term “investments” for purposes of this former investment income deduction is limited to investments that are incidental to the main purpose of a B&O taxpayer’s business. In this case, the Court agreed with the Department that the LLCs’ investment in debt instruments is not “incidental” to the main purpose of their businesses; rather, “investment is the only purpose of their businesses” as 100% of the LLCs’ income is investment income. Accordingly, they were deemed ineligible for the B&O tax deduction. Please contact us with any questions.

URL: <https://www.courts.wa.gov/opinions/pdf/D2%2057312-1-II%20Published%20Opinion.pdf>

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