

City of Tacoma - Instructions for Service Income Apportionment Supplemental Form

I. Apportionable Gross Service Receipts

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

Line 1b: Insert the amount of receipts deductible under 6A.30.100 Deductions. (Excluding any deduction for interstate services, 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 City of Tacoma payroll compensation for the following employees:

- a. Total payroll for employee(s) whose assigned office or work station is located within the City of Tacoma;
- 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 (50%) or more of his or her service for the tax period in the City of Tacoma; and
- 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 (50%) or more of his or her service in any city, but that person resides in the City of Tacoma.

Line 2a - Total City of Tacoma payroll - add lines a, b, and c. Enter on line 2a of the form.

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 of Tacoma).

Line 2c: Calculate Payroll Factor – Divide line 2a by the amount in line 2b this is your payroll factor. Also enter this amount 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 for Tacoma is zero.)

III. Service-Income Factor

Service gross receipts are in the City of Tacoma if:

- a. The customer location is in the City of Tacoma; or
- 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 Tacoma than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or
- c. The service-income-producing activity is performed within the City of Tacoma, and the taxpayer is not taxable in the customer location.

Line 3a - Total City of Tacoma service gross receipts - add lines a, b, and c. Enter on line 3a of the form.

Line 3b - Enter the total gross service receipts for receipts everywhere, all locations, (same amount as line 1a), including gross receipts inside 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 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. If there is no payroll factor, divide line 4 by one (the number 1). (See line 2c above)

Line 6: Multiply line 1c by line 5 and enter the amount on line 6. This is your City of Tacoma taxable service receipts. Also enter this amount on line Service & Other Apportioned column 4 Taxable Income of the Tax Return.

Services and Other income is apportioned to a city by multiplying service income by a payroll factor (based on the payroll within the city), plus the service-income factor (based on the income producing activity attributable for tax purposes within the city), divided by two.

Formula example:

Total Taxable Service Income x $\frac{(\text{Payroll Factor} + \text{Service Income Factor})^*}{2}$

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Payroll Factor = $\frac{\text{City Compensation Paid in Tacoma}}{\text{Total Compensation Paid Everywhere}}$

Service Income Factor = $\frac{\text{Total Service Income In City of Tacoma}}{\text{Total Service Income Everywhere}}$