

State Ruling

203-614, Tax Topics: Reportable Income on Individual Lobbyists and Lobbying Firms-- Business and occupation-- Specific businesses-- Services and other activities-- Lobbyists

¶203-614. Tax Topics: Reportable Income on Individual Lobbyists and Lobbying Firms, Washington Department of Revenue, August 22, 2023.

Business and occupation: Specific businesses: Services and other activities: Lobbyists.–

Independent "lobbyists" and "lobbying firms" (the terms are used interchangeably) are subject to Washington business and occupation (B&O) tax under the service and other activities classification on their gross business income. Amounts lobbyists report to the Washington State Public Disclosure Commission (PDC) on Form L2 as compensation are subject to B&O tax. In addition, lobbyists may have income not reportable to the PDC that is subject to B&O tax, such as income received from providing legal services, consulting, and other professional services.

Lobbyists may qualify for the small business B&O tax credit. Expense reimbursements generally are not deductible because a lobbyist has primary or secondary liability to pay for expenses such as airline tickets, lodging, meals, rental car, per diem, fuel, mileage, and tolls. However, reimbursements may be deducted if a lobbyist can demonstrate that it has no primary or secondary liability to pay the reimbursed expenses, as provided by WAC 458-20-111 (Advances and Reimbursements).

Generally, a lobbyist located in Washington state pays B&O tax on lobbying income generated in the state. A lobbyist located outside Washington may still be subject to B&O tax. Lobbyists may qualify to apportion (divide) their income between Washington and elsewhere if the benefit of their services is received both inside and outside of Washington. Further information is provided in WAC 458-20-19402 (Single Factor Receipts Apportionment—Generally).

Reportable income on individual lobbyists and lobbying firms

The terms "lobbyists" and "lobbying firms" are used interchangeably since they are taxed similarly.

While this publication specifically addresses lobbyists, the same principles apply to many other service industry businesses with regard to gross income, the applicable B&O tax classification, deductibility of business expenses, advances and reimbursements, etc.

In Washington, independent lobbyists and lobbying firms are subject to the business and occupation (B&O) tax under the service and other activities classification on their gross business income.

What income is subject to the B&O tax?

Washington's B&O tax applies to the "gross proceeds of sales" without any deductions for costs of property sold, costs of materials used, labor costs, delivery costs, expenses paid, or losses.
RCW 82.04.070

For purposes of the B&O tax, gross income includes all income received from conducting business activities. *RCW 82.04.080*

For lobbyists, amounts reported to the public disclosure commission (PDC) on Form L2 as compensation are subject to the B&O tax.

(Lobbyists may also have income not reportable to the PDC that is subject to B&O tax, such as income received from providing legal services, consulting and other professional services.)

Lobbyists may qualify for the small business B&O tax credit if their annual taxable income is \$46,667 or less.

Are "expense reimbursements" deductible?

Generally, expense reimbursements are not deductible because a lobbyist has primary or secondary liability to pay for expenses such as airline tickets, lodging, meals, rental car, per diem, fuel, mileage and tolls.

However, reimbursements may be deducted if a lobbyist can demonstrate that they have no primary or secondary liability to pay the reimbursed expenses, as provided by *WAC 458-20-111*.

What is economic nexus?

Economic nexus is a standard used to determine whether a business owes tax in Washington. Generally, a lobbyist located in this state pays B&O tax on lobbying income generated in this state. A lobbyist located outside of this state may still be subject to Washington's B&O tax if they meet at least one of several economic nexus thresholds. The most likely thresholds that a lobbyist might meet are:

- \$250,000 of income attributable to Washington.
- 25 percent of their business income is attributable to Washington during any calendar year.

If either of these thresholds are met, the lobbyist would have economic nexus and would be subject to the B&O tax. See our *Economic Nexus information* on our website for more information.

Is lobbying income subject to apportionment?

A lobbyist may qualify to apportion (divide) their income between Washington and elsewhere if the benefit of their services is received both inside and outside of Washington. See *WAC 458-20-19402* for more information.

How to register?

If you are not already registered but you need to according to the above information, complete and file a Business License Application available on our website at: <http://bls.dor.wa.gov/>.

Questions?

You can write for a tax ruling at:

Taxpayer Information and Education

PO Box 47478

Olympia WA 98504-7478

Or,

Rulings@dor.wa.gov