

State Ruling

**204-399, Tax Topics: Hedge Fund Management Fees-- Business and occupation-- Business and occupation tax specific businesses-- Services and other business activities-- Hedge fund management**

¶204-399. Tax Topics: Hedge Fund Management Fees, Washington Department of Revenue, March 22, 2024.

**Business and occupation: Business and occupation tax specific businesses: Services and other business activities: Hedge fund management.**— If a business receives a federal deferral for hedge fund management fees, it does not also receive a deferral on Washington business and occupation (B&O) taxes.

Washington's B&O taxes do not align with federal income tax rules, including income deferrals. Therefore, income received from hedge fund management services are subject to B&O tax when the business actually receives or accrues the income.

**Hedge fund management fees**

**If my business receives a federal deferral for hedge fund management fees, can I also receive a deferral on my Washington state taxes?**

No. Unlike many states with income taxes, Washington's Business & Occupation (B&O) tax does not generally align with federal income tax rules, including income deferrals.

As such, income that your business earns from the hedge fund management services provision that you are allowed to defer under Federal Income tax rules is generally subject to B&O tax when your business actually receives or accrues the income (RCW 82.04.090, WAC 458-20-199, WAC 458-20-197).

Businesses must attribute this income based upon the *apportionment* rules in Washington Administrative Code (WAC) 458-20-19401 and 458-20-19402.

Subject:

*Hedge fund management fees*

Issue Date:

Wednesday, August 22, 2018

Year:

2018