

Seattle Shield B&O Tax Changes

City of Seattle Tax Training

March 25, 2026

City Finance



City of Seattle

January 1, 2026, Seattle B&O Tax Changes

- A. B&O threshold increase from \$100,000 to \$2 million.
- B. \$2 million standard deduction available to all businesses.
- C. Increase in B&O tax rates for all classifications.
- D. B&O tax credit available to comprehensive cancer centers and pediatric hospitals.



\$2 million Threshold

- The annual B&O tax liability threshold increases from \$100,000 to \$2 million.
- Businesses with taxable revenue in the city under \$2 million will owe no tax. (“Taxable Revenue” means gross income less deductions other than the standard deduction.)
- Businesses will still need to file a return.



Standard Deduction

- A \$2 million annual standard deduction available to all taxpayers who have taxable revenue greater than the threshold.
- Deduction is available to all classifications but limited to \$2 million per year. SMC 5.45.100(W)



Standard Deduction

- Taxpayers who file quarterly will take as much of the standard deduction as early as possible in the year.
- Standard deduction will be applied to the classification with the highest rate first, then to the classification(s) with lower rates in order of the classifications listed on the return.
- This will be automated when taxpayers file in FileLocal.



Some Businesses Will Transition From Quarterly Filing to Annual Filing

- Due to the taxable threshold increasing to \$2 million in 2026, some quarterly taxpayers will have their B&O tax filing frequency changed to an annual filing status. These taxpayers will be notified in early 2026.
- For taxpayers who file quarterly, their first quarter B&O tax return of 2026 will be due April 30, 2026. For taxpayers on an annual filing frequency, their 2026 annual B&O return will be due April 30, 2027.
- Taxpayers under the threshold must still file a return.



Updated B&O Tax Form

1. Taxpayers will enter their gross income for each applicable classification in Column (1).
2. Taxpayers will enter their total deductions **other than** the standard deduction in Column (2) and enter them in the deduction fields under the appropriate gross income classifications (e.g. interstate sales, bad debt, etc.)
3. Taxpayers will calculate their taxable revenue before standard deduction in Column (3).
4. If filing quarterly, taxpayers will then deduct up to \$2 million of standard deduction in Column (4). Maximum standard deduction is \$2 million per calendar year.
5. If filing annual return, and taxable revenue is under \$2 million; the standard deduction is not applicable because taxpayer is under the threshold and no tax is due. If annual filer has taxable revenue is \$2 million or more, taxpayer may take standard deduction up to \$2 million per calendar year.
6. Taxpayers filing annually, whose taxable revenue before standard deduction is less than \$2 million must still file their return and report \$0 tax due.

	Column 1 Classification Gross Income (in whole dollars)	Column 2 Deductions (itemize below)	Column 3 Taxable Revenue	Column 4 Standard Deduction (see instructions)	Column 5 Taxable Amount	Column 6 Tax Rate	Column 7 Tax Due
1	Manufacturing/Extracting						
2	Printing/Publishing						
3	Wholesaling						
4	Retail Sales/Retail Services						
5	Services & other activities						
7	Transporting/Freight for hire						
22	Tour Operator/Processor for hire						
Total tax for all classifications:							

Add total tax due amounts then enter the total in the "B&O Tax Due" box below.

Deductions entered in Column 2 above MUST be itemized below or they will be disallowed							
Regular Deduction Type	Line 1	Line 2	Line 3	Line 4	Line 5	Line 7	Line 22
	Mfg/Extracting	Print/Publish	Wholesale	Retail sales	Service & other	Transport/Freight	Tour/Processor
29 Bad Debt							
30 Interstate/Foreign Sales							
31 Cash/Trade Discounts							
34 Taxed by Other Cities							
71 Advancement/Reimbursements							
79 Returns & Allowances							
81 Freight Outside the State							
90 Intra-state sales							
47 Other - Explain in space below							
Deduction Totals							

CITY OF SEATTLE BUSINESS LICENSE (B&O) TAX - QUARTERLY REPORTING FORM

B&O Tax Due	=	
MATC (credit) (attach worksheet)	-	
Adjusted Tax Due	=	
Interest Due*	+	
Penalty Due*	+	
Total to be Paid	=	

*see back of form

A Business' license tax certificate fee calculation remains unchanged

- The Seattle Shield ordinance made no changes to the calculation of the business license tax certificate fee.
- The City calculates a business license tax certificate fee based upon the taxpayer's taxable revenue (gross income less deductions other than the Standard Deduction).



Standard Deduction and Business License Tax Certificate Fees

For example: In 2026, Company B had \$8,000,000 of Gross Income. It also had \$1,500,000 of Interstate Sales and its Standard Deduction of \$2,000,000.

- Company B's 2026 taxable revenue is \$6,500,000 (\$8,000,000 gross income – I/S Deduction \$1,500,000).
- Company B's taxable amount is = \$4,500,000 (\$6,500,000 - Standard Deduction of \$2,000,000).

Company B's 2028 Business License Tax Certificate fee will be based on their Taxable Revenue of \$6,500,000.

Seattle B&O Tax Rate Changes

B&O tax rates for all classifications will change for all classifications beginning Jan 1, 2026.

Classification	Tax Rate
Manufacturing - Extracting	.00342
Printing - Publishing	.00342
Wholesaling	.00342
Retail Sales & Retail Services	.00342
Service & Other Business Activities	.00658
Transporting Freight For Hire	.00658
Tour Operator - Processor For Hire	.00342

Comprehensive Cancer Center and Pediatric Hospital Credits

- New B&O tax credits available to:
 - Comprehensive Cancer Center
 - Pediatric Hospital



Seattle B&O Comprehensive Cancer Center Tax Credit

- Effective January 1, 2026, comprehensive cancer centers will be allowed a B&O tax credit against their Seattle B&O taxes.
- A “comprehensive cancer center” is a cancer center that has written confirmation that it is recognized by the National Cancer Institute as a comprehensive cancer center and that qualifies as an exempt organization under 26 U.S.C. Sec. 501(c)(3) as existing on July 1, 2006. (SMC 5.45.105 A.)



Seattle B&O Pediatric Hospital Credit

- Effective January 1, 2026, pediatric hospitals will be allowed a credit against their Seattle B&O taxes.
- A pediatric hospital is a hospital that is a nonprofit and specializes primarily in providing clinically appropriate health care for the special needs of patients up to 18 years of age and young adults whose care and diagnosis is best treated with pediatric expertise. (SMC 5.45.105 B.)



Standard Deduction and Manufacturing

- Generally, manufacturers are engaged in two activities:
 - Manufacturing activities, and
 - Selling activities (retailing and wholesaling).
- Therefore, manufactures will need to take additional steps to properly take the Standard Deduction.



Standard Deduction and Manufacturing

- Manufacturers must take their standard deduction under the manufacturing classification.
- Then, manufacturers will take an “Other” deduction under the selling classification (retail or wholesale) **for sales manufactured and sold in Seattle**.
- Manufacturers must describe this “Other” deduction under the retailing or wholesaling classification as “Standard Deduction.”



Standard Deduction and Manufacturing

- Retail or wholesale “Other” Standard Deduction is limited to the lesser of \$2 million or the gross income from manufactured items sold in Seattle.
- Once the taxpayer applies the entire annual \$2 million Standard Deduction, for the current calendar year, for each subsequent quarter, the Standard Deduction will no longer apply.
- Following these steps ensures Manufacturers receive the proper multiple activities tax credit.



Seattle Shield B&O Tax Changes Website

- General Information on the B&O changes
- Links to the Seattle Shield ordinances
- Links to updated and new rules
- Frequently asked questions
- Visit: <https://www.seattle.gov/city-finance/business-taxes-and-licenses/business-taxes/seattle-shield-bando-tax-changes>



**We are here to help:
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