



WA State B&O Tax Exemption Eliminated by Legislature



SUHRCO manages a diverse portfolio of commercial and multifamily residential properties in the Puget Sound region. Established in 1973, the company employs more than 300 experienced professionals dedicated to meeting the management, leasing and brokerage needs of building owners, tenants, and condominium/homeowner association boards and owners.

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In the final days of the 2010 session, the Washington state legislature eliminated the B&O tax exemption for onsite managers of property management companies. The B&O tax impacts will be felt as soon as June 1, 2010 as the revenue package passed by the state legislature goes into effect.

Despite aggressive lobbying by the Rental Housing Association (RHA), the Washington Rental Housing Coalition (WRHC), the Building Owners and Managers Association (BOMA), IREM AND WMFHA, the legislature rescinded the tax exemption which applies to pass-through wages held in trust for employees' salaries. In effect, these wages are reimbursed costs -- not an income generating profit center for the property management company. Unfortunately, the lawmakers did not understand this, or did not seem to care.

According to the RHA, elimination of the onsite property personal wages exemption results in a triple hit on taxes to property management companies:

- the pass-through wages in property management company trust accounts will be subject to the 1.5% B&O tax
- the .3% B&O tax increase on general services will apply to this former exemption
- the overall gross revenues to property management companies will pay .3% tax increase

The true impacts remain to be seen. However, the increased tax will most likely force property owners to weigh the cost benefits of using the current payroll system or paying their employees directly to avoid this tax. Other potential impacts include job losses if property owners reduce the number of onsite employees, and/or rent increases if they pass along the cost to residents. SUHRCO will continue working with RHA and BOMA to communicate the true impacts of this tax on property owners, onsite managers and residents to legislators and candidates in the upcoming election.

For more information about the tax and the impact it may have, please contact Rob Kellum at (425) 451-0900 or robk@suhrco.com.

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