

# Instructions for Service Income Apportionment Supplemental Form

## Tax Periods Beginning January 1, 2020

House Bill 1403 (2019) changed how Cities in Washington state sourced service receipts by changing the definition of “customer location” in the income factor by moving to a market-based sourcing method. The Bill also changed how the denominator of the income factor is determined by excluding income from the denominator in which some of the apportionable activity is performed in the City and the taxpayer is not taxable in the customer location.

### I. Apportionable Gross Service Receipts

**Line 1:** Worldwide Service Receipts. Enter the total worldwide gross service receipts for your business.

**Line 2:** Deductions. Enter any allowable deductions per the Issaquah Municipal Code.

**Line 3:** Apportionable Service Receipts. Line 1 less Line 2.

### II. Payroll Factor

**Line 4:** Payroll Factor Numerator. Enter total payroll in Issaquah. Your total payroll in Issaquah is the sum of:

- a) Total payroll for employee(s) whose assigned office or workstation is located within Issaquah;
- 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 Issaquah; 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 their service in any city, but that person resides in Issaquah.

**Line 5:** Payroll Factor Denominator. Enter total payroll for employees everywhere.

**Line 6:** Payroll Factor. Line 4 is divided by Line 5. (Note: If the business has no employees, then there is no payroll factor. If there are no employees within Issaquah but there are employees elsewhere, then the payroll factor for Issaquah is zero.)

### III. Service Income Factor

**Line 7:** Enter the total service gross receipts if the “customer location” is in Issaquah. “Customer location” means:

- 1) For a customer not engaged in business:
  - a) If the service requires the customer to be physically present, where the service is performed.
  - b) If the service does not require the customer to be physically present:
    - i) The customer’s residence; or
    - ii) The customer’s billing/ mailing address if the customer’s residence is not known.
- 2) For a customer engaged in business:
  - a) Where the services are ordered from;
  - b) At the customer’s billing/ mailing address if the location from which the services are ordered is not known; or
  - c) At the customer’s commercial domicile if none of the above is known.

**Line 8 -** Enter the total worldwide service receipts everywhere less any apportionable gross income in which some of the activity is performed in Issaquah and the taxpayer is “not taxable” in the City or County of the customer location. (If there is no income excluded from the denominator, Line 1 will be the same as Line 8. If there is income excluded from the denominator, Line 8 will be less than Line 1).

“Not taxable” means that the taxpayer is not subject to a business activities tax by that jurisdiction, except that a taxpayer is taxable in a City or County in which it would be deemed to have a substantial nexus under the standards in [RCW 35.102.050](#) regardless of whether or not that City or County imposes a business activities tax.

**Line 9:** Service-Income Factor. Divide Line 7 by the amount in Line 8. This is the income factor percentage.

### IV. Issaquah Taxable Service Receipts

**Line 10:** Total Apportionment Factor. Add the Payroll Factor (Line 6) and the Income Factor (Line 9).

**Line 11:** Percentage of Service Income Apportioned to Issaquah. Divide Line 10 by the number 2. (If the business has no employees, the Total Apportionment Factor is divided by 1).

**Line 12:** Issaquah Taxable Service Receipts. Multiply Line 3 by Line 11.