Comparison: B&O Tax / Texas Franchise Tax / Margin Tax

The table below provides a snapshot of Washington's current business and occupation (B&O) tax as compared to the Texas Franchise Tax and the Margin Tax proposal.

Categories	Washington B&O Tax	Texas Franchise Tax	Margin Tax Proposal
Filing is consolidated or single entity	Single entity	Consolidated	Consolidated
Conforms with federal tax definitions	No	No	Yes
Tax is activity-based or revenue-based	Activity-based	Revenue-based, with a lower rate for retailers and wholesalers	Hybrid, it is mostly revenue-based but includes activity-based taxes for manufacturing and extracting activities when those activities take place in Washington, but the sales of those products takes place outside of Washington
Filing threshold	$125,000	$1 million	$500,000
Measure of the tax	Gross receipts (gross income of the business or value of products manufactured or extracted)	Total income of the business less the business' choice of the greater of: • Cost of goods sold, • Compensation paid, • 30% of total revenue, or • $1 million.	Gross receipts of the business less the business' choice of the greater of: • Cost of goods sold, • Compensation paid, • 30% of total revenue, or • $1 million.
Rate structure and basis	Flat rate based on activity	Flat rate based on activity w/ EZ rate option for small businesses	Flat rate based on receipts w/ EZ rate option for small businesses
Lower tax rate for retailers	Yes, businesses pay a rate of 0.471% on retailing activity, rather than the 0.484% rate for many other B&O taxable activities	Yes, retailers and wholesalers pay a rate of 0.375%, rather than the 0.75% rate that other businesses pay under the Texas Franchise Tax	No, but it includes a sales tax credit which is equivalent to the benefit provided to retailers by the lower B&O tax rate on retailing activity
Tax base	All enterprise activities regardless of type of entity (for-profit, non-profit or municipal government)	All enterprise activities, except for activities performed by certain entities (non-profit, municipal government, or sole proprietors)	All enterprise activities regardless of type of entity (for-profit, non-profit or municipal government)
Taxes on manufacturing or extracting activities	Yes, where sales take place outside of Washington with a multiple activities tax credit to avoid double taxation	No	Yes, where sales take place outside of Washington with a multiple activities tax credit to avoid double taxation
Apportionment based on single factor sales apportionment	Yes, Washington's current apportionment method is essentially equivalent to single-factor sales	Yes	Yes