

## Gross Receipts:

### Washington Board of Tax Appeals Addresses B&O Tax Sourcing Methodology for IT Service Company

*Docket No. 19-156*, Wash. Bd. of Tax App. (10/27/23). The Washington Board of Tax Appeals (Board) recently examined the appropriate Washington business and occupation (B&O) tax sourcing methodology for an in-state company providing information technology (IT) services that primarily involve “translating client websites into foreign languages, creating and updating customer-facing websites, providing support for product launches in foreign markets, merchandising support, and website management,” and held that for periods prior to June 12, 2014 (*i.e.*, for periods prior to certain B&O tax law sourcing changes), the IT company failed to show:

**URL:** <https://apps.bta.wa.gov/Decision%20PDF/Formal%20Dockets/19-156.pdf>

1. The Department’s sourcing methodology was erroneous, and
2. The company’s primary customer received the benefit of its localization services in a specific other state (or foreign country), or primarily in a specific other state (or foreign country).

Among its arguments, the IT company unsuccessfully claimed that all the localization services for its primary customer must be sourced zero percent to Washington as the underlying benefits were received in the market for which the content was localized (which, in this case, was often in foreign countries). In ruling against the IT company, the Board also explained the company failed to show it had nexus in any state or country other than Washington or California, and thus the “throwout” rule applied in many instances. For the B&O tax periods at issue on and after June 12, 2014, the Board held that Washington’s proportional attribution rules apply and that the company has 30 days to provide evidence supporting its claims that the benefits of its IT services were received in multiple states and/or outside Washington. Please contact us with any questions.

— Robert Wood (Seattle)  
Principal  
Deloitte Tax LLP  
robwood@deloitte.com

Myles Brenner (Seattle)  
Senior Manager  
Deloitte Tax LLP  
mybrenner@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).