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U.S. States with No Income Tax—Washington

The state of Washington is a state in the Pacific Northwest region of the United States. Aerospace, agriculture and food manufacturing, clean technology, information and communication technology, forest products are the biggest industries in the State. The state of Washington has a business-friendly environment. Many big companies include Boeing, Microsoft, Amazon, Costco, and Nordstrom are located in Washington state.

The state of Washington offers businesses some competitive advantages found in few other states. Washington is one of seven states that do not levy a personal income tax. The state does not collect a corporate income tax or franchise tax either. This tax structure tends to benefit successful companies as they become more profitable and allows them to keep those profits to fuel further growth and expansion.

1. Business and Occupation Tax

Although Washington businesses are not responsible for corporate income tax, they are subject to Business and Occupation (B&O) tax. It is measured on gross income from activities, which means there are no deductions from the B&O tax for labour, material, taxes, or other costs of doing business. The B&O tax charges varying rates for different types of businesses.

Major B&O Classification	Rate
Retailing	.00471
Wholesaling	.00484
Manufacturing	.00484
Service & other activities	.015

There are several credits can be applied to B&O tax. For example, Aerospace Credit is available to qualified manufacturers of commercial airplanes and qualified aerospace non-manufacturers; Clean Alternative Fuel Commercial Vehicle and Vehicle Infrastructure Tax Credit is available for businesses that purchased commercial vehicles that are principally powered by a clean alternative fuel; High Technology Credit is available for qualified high technology businesses.

2. Sales and Use Tax

If the business entities intend to sell or lease tangible personal property on retail/wholesale, use goods or offer certain taxable service such as installation, repair, cleaning in Washington, the business entities are required to report and file sales/use tax to governing body (state or local).

Washington's sales or use tax is made up of the state rate (6.5%) and local sale tax rate. Local rates vary depending on the location.

3. Payroll Tax

If your business entities hire and pay wages to employees in Washington State, they must register as an employer with Washington Employment Security Department, file a quarterly tax-and -wage report and pay unemployment insurance taxes. Employers will pay unemployment taxes on the first \$56,500 of each employee's earnings. Corporation is also responsible for paying a workers' compensation tax that is both employer and employee paid.

Failure to comply with the law could cost you USD 1,000 or two times the total amount of unpaid taxes for each quarter you operated without being registered, whichever is more.

4. Annual Renewal

All active business entities registered at Washington are required to operate in compliance with the General Corporation Law/Limited Liability Company Act of the State of Washington. They must have and maintain a registered agent, which has a physical street address in Washington; file annual report with the Washington Secretary of State every year; and renew the business license/permit periodically (if applicable). The annual report is due the last day of the filing anniversary month. Penalty will be generated for late filing. Failure to file the annual report may lead to the Secretary of State administratively dissolve the business entities.

Beside above state requirements, you are also required to file federal tax returns to comply with the U.S. tax law. If you are interested in Washington business registration or annual renewal services, please contact Kaizen professional consultants.

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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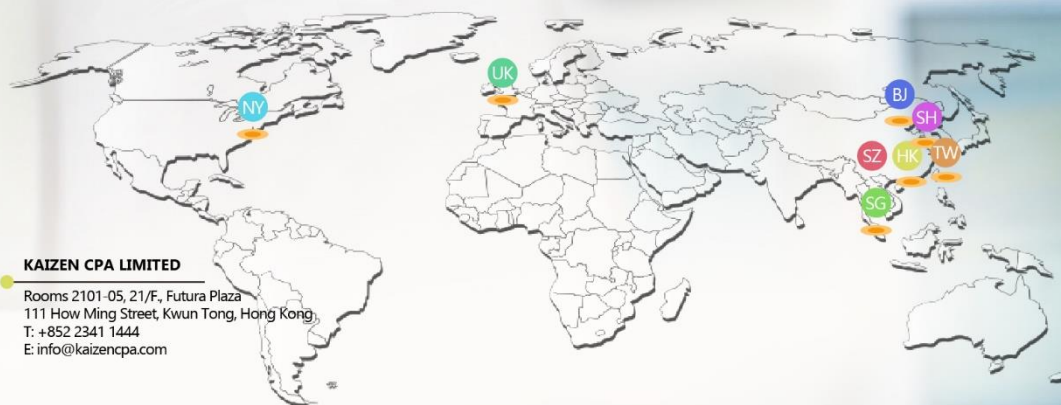
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SERVICES SCOPE



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