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## Washington Company Compliance and Maintenance Guidelines

After successfully registered in Washington, both the corporations and LLCs are required to operate in compliance with the General Corporation Law/Limited Liability Company Act of the State of Washington. This guideline note intends to provide a summary of those on-going compliance requirements for the interest of our clients.

The first section of the guideline note briefs the basic maintenance and reporting that a Washington company is required to comply with, including Annual Report filing, registered office and registered agent and business license renewal.

The second section describes income tax filing services, including federal income tax filing and state B&O tax filing.

The third section describes the Washington State sales/Use tax filing requirements and tax rate.

The fourth section describes federal and state payroll tax filing and foreign person's U.S. source income subject to withholding tax filing requirements. All U.S. companies are required to file tax returns on time to comply with tax laws.

The fifth section states the foreign banks and financial accounts reporting. If you have foreign financial accounts, you are required to report accounts to IRS on time.

The sixth section describes financial reporting, including bookkeeping service and the audit service of annual financial report.

The last section summarizes our compliance and maintenance services and costs to maintain a Washington company in good standing. The fees listed are based on estimation and for reference purpose only. The final service fee may be different according to actual circumstances.

This guideline is not meant to cover all the compliance requirements imposed on a company by the Washington and U.S. laws. If any issue of interest is not covered in this guideline, you are welcome to contact and consult our professional accountants.

## **1. Annual Renewal Requirements**

### **(1) Annual Report**

All active business entities registered at Washington must file Annual Reports each year to stay in good standing with Washington Secretary of State by 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.

### **(2) Registered Office and Registered Agent**

Washington law requires that every business entity must have and maintain a Registered Agent in the State of Washington who may be either an individual resident or business entity that is authorized to do business in the State of Washington for the purpose of service of notice.

### **(3) Business License/Permit Renewal**

In the situation where a Washington registered company holds a business licence or permit issued by the Federal or State Government because it engages in one or more regulated business, in general, such a licence or permit must be renewed each year.

## **2. Corporate Income Tax Filing**

### **(1) Federal Income Tax Return**

According to Internal Revenue Service (IRS), all Washington registered business entities must file an income tax return on or before the following 15 April (corporation) or 15 March (LLC) of the tax year, or 15 October (corporation) or 15 September (LLC) with extension, if the company adopts the calendar year as its accounting year. However, a business entity must still pay its tax due in full no later than the original deadline for filing of its tax return (not extended deadlines). Interest and penalty will be charged for late payment of tax if an extension of time to file is granted.

An LLC is also required to file a federal income tax return each year without paying any income tax because an LLC is by default a pass-through entity unless it chooses to be taxed as a corporation. Should an LLC make such as choice, then it will need to file the Federal Income Tax Return and at the same time pay federal income tax at company level.

(2) Washington State income tax return

Washington state does not impose income taxes on business entities.

(3) Washington State business and occupation(B&O) tax return

Washington state does not have a corporate income tax. However, business that engage in business in Washington 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 labor, material, taxes, or other costs of doing business. The B&O tax rate varies by classification.

Washington B&O tax returns are due on 25th of each following month; quarterly returns are due by the end of the month following the close of the quarter; and annual returns are due April 15th.

### **3. Sales or Use Tax**

Businesses making retail sales in Washington collect sales tax from their customer. Use tax is a tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in this state are subject to either sales or use tax, but not both. Thus, the use tax compensates when sales tax has not been paid. 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.

### **4. Payroll Tax Filing**

(1) Federal Payroll Taxes

If business entities have employees and pay wages in U.S., they must report income and payroll taxes withheld from their employees to Internal Revenue Service (IRS) periodically and deposit these taxes in full to an authorized bank or financial institution pursuant to Federal Tax Deposit Requirements. The business entities are also responsible for filing and paying Social and Medicare Taxes (employer share amount) and Federal Unemployment Taxes.

The deposit schedule for the payroll taxes depend upon the amount of business entities' payroll tax liability. Employers may be subject to criminal and civil sanctions for wilfully failing to pay employment taxes.

(2) State Payroll Taxes

If Corporation or LLC 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. 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.

(3) Foreign Person's U.S. Source Income

According to Internal Revenue Code, the payments that certain foreign persons received from U.S. sources, are subject to tax withholding. And withholding agent or payer must report the amount withheld to IRS, if any. The sources include dividends, interest, rents, annuities, etc. Kaizen can help you prepare Form 1042, 1042-S, W-8BEN or other forms required by government agencies.

- (a) If foreign persons received U.S source income, they are required to submit Form W-8BEN to the withholding agent or payer for tax withholding purpose;
- (b) Form 1042 is used to report the tax withheld on U.S. source income of foreign persons;
- (c) Form 1042-S is the statement of U.S. source income and amount withheld of foreign persons.

## 5. Foreign Banks and Financial Accounts Reporting

If your Washington company owns, or has any interest in, any foreign financial accounts, Foreign financial accounts include, but are not limited to; checking, savings, securities, brokerage, deposit, or any other account held with a financial institution. Foreign financial accounts also include annuities with a cash out value, mutual funds, or whole-life insurance policies.

You must assess the balances each year to determine if your Washington company is required to file an FBAR form (FinCEN Form 114) or FATCA Form 8938.

(1) FBAR Form

The FBAR form is required to be filed each year if the total balance of foreign financial accounts owned by your Washington company exceeds USD10,000 during the year. The Foreign Bank Account Report (FBAR, FinCEN Form 114) will need to be filed with the Department of Treasury on or before 15 April following the calendar year you are reporting.

Anyone who are obligated to file the report but failed to do so may be subject to a fine of USD10,000 per violation. If it is determined that you purposely avoided filing, the fine can be USD100,000 or 50% of the balance of the account at the time of the violation, whichever is greater.

(2) FATCA Form 8938

The FATCA Form 8938 is required to be filed each year if the total value of foreign financial assets owned by your Washington company exceeds USD50,000 during the tax year. It will need to be attached to your annual return and due on the date of that return, including any applicable extensions.

Anyone who are obligated to file the form but failed to do so may be subject to a fine of USD10,000 per violation and an additional \$10,000 for each 30 days of non-filing after IRS notice of a failure to disclose, for a potential maximum penalty of \$60,000; criminal penalties may also apply.

## 6. Financial Reporting

(1) Financial Reports

Washington is one of the few states that does not statutorily require the keeping of books and records. This is an example of the pro-business climate that inspires many entities to choose Washington as their formation state. However, it should be noted that Washington companies may still have other reporting requirements, such as filing of Federal Income Tax Return and this could not be done without properly kept accounting records and financial statements. In this regard, we suggest that you should keep all your accounting records and update the books of accounts on a regular basis.

## (2) Audit of Annual Financial Reports

In Washington, all entities, both corporations and LLCs, other than those listed in a stock exchange, are not required to appoint an auditor, and is also not required to arrange to have their annual financial statements audited. Public companies are required to submit the audit reports to the U.S. Securities and Exchange Commission annually per the list rules of the relevant stock exchange. It should be noted however, private companies may also want to have their financial reports audited annually or periodically for some other reasons, such as submitting the audited financial report to lending party or to investors.

## 7. Washington Company Annual Maintenance Costs

As elaborated above, all Washington corporations and LLCs are required to operate in compliance with the Washington business laws. They may also need to apply for license and permits with the State Department according to industry specific requirements. Kaizen U.S. is a professional CPA firm, offers complete compliance services and business support, such as bookkeeping, financial statement audit, filing tax return, making payroll, etc. Some of our Washington company related services and fees are listed below for your reference.

Item	Description	Service Fees (USD)	
1	Annual renewal including registered agent, registered office and annual report filing fees (Note 1)	Yearly	900
2	Business license endorsements renewal (Note 2)	Yearly	TBD
3	Federal business income tax returns and Washington state annually combined excise tax return (Note 3)	Each filing	800/up
4	Washington State B&O tax filing (Note 4)	Each filing	150
5	Sales tax filing (Note 5)	Each	150/up
6	Payroll tax filing and relevant services (Note 6)	TBA	TBA
7	Foreign banks and financial accounts filing (FBAR) (Note 7)	Yearly	200 up
8	Financial statements and special audit (Note 8)	Yearly	2,000/up
9	Accounting and bookkeeping (Note 9)	Monthly	300/up

Note:

- (1) Kaizen service fee for the annual renewal includes provision of registered office, registered agent, preparation and filing the Biennial Statement, but not including business license endorsements renewal service, if any.



- (2) This is the official filing fee for renewal of business licence when your company holds one for reason of carrying out business in Washington. Kaizen does not charge service fee for handling the renewal of business license/permits for your Washington company. The final amount depends on the number of locations of business operation your company may have in Washington.
- (3) Our service fee for preparation and filing of the Federal and Washington State Annually Combined Excise Tax Return depends on business model and complexity and transactions of financial statements of your Washington company. You can register and file your return electronically even if you have "No Business Activity" to report. Once we have the opportunity to review the books of accounts of your Washington company, we will then prepare and provide an accurate quotation for your consideration.
- (4) State B&O tax return is USD 150 per return. If you need to file monthly return, our service fee is USD 120.
- (5) Kaizen service fee for quarterly sales/use tax filing is USD 150. If you need to file monthly return, our service fee is USD 120.
- (6) Our fee for payroll tax filing and relevant services is charged based on numbers of employees and frequency of salary payments.
- (7) Our fee for handling of filing of FBAR depends on the number and type of financial accounts to be reported. If no more than three accounts, the filing fee is USD 200. For each additional account, we charge USD50.
- (8) Our service fee for audit of annual financial statements is determined taking into consideration the business model of company, the complexity of the financial positions and the types and amounts of assets etc. Once we have the opportunity to review the books of accounts and financial statements of your company, we will then prepare and provide an accurate quotation for your consideration. In addition to audit of financial statements, we can also provide special audit and review services.
- (9) Our service fee for accounting and bookkeeping is determined taking into consideration the number of transactions. Other than updating books of accounts on a monthly basis, we can also update the books of accounts of your Washington company on a quarter or annual basis. We can also prepare financial statements in a language other than English.



**OUR SERVICES SCOPE**

✓ Company Registration	✓ Bank Account Opening	✓ Trademark Registration	✓ Audit & Assurance
✓ Merger & Acquisition	✓ Payroll & Human Resources	✓ Intellectual Property	✓ Tax Filing
✓ Tax Planning	✓ Book-keeping & Accounting	✓ Leasing Services	✓ Trade Supporting

*If you wish to obtain more information or assistance, please visit our official website at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following methods:*

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