



# 2025 tax preference review: Travel Agents and Tour Operators

## Legislative Auditor's conclusion

Savings for large beneficiaries are increasing. The number of small beneficiaries and their savings are decreasing.

### Key points

- Travel agents and tour operators receive one of two preferential business and occupation (B&O) tax rates based on their taxable earnings. Beneficiaries saved \$5.8 million in fiscal year 2024.
- From fiscal year 2020 through 2024, savings for large beneficiaries increased 107%.
- The lower preferential rate, together with the Small Business Credit, reduced B&O tax for small beneficiaries by 90%.
- However, the number of small beneficiaries and their savings are decreasing.

### Tax detail

**Tax type:**

Business and occupation (B&O) tax

**Beneficiary savings:**

\$13 million (2027-29)

**Expiration date:**

No expiration date

**RCW:**

RCW 82.04.260(5)

RCW 82.04.290

Read the full report: [leg.wa.gov/jlarc/Audits](https://leg.wa.gov/jlarc/Audits)

## Recommendations to the Legislature

1. **The Legislature should continue the 0.275% preferential tax rate for small beneficiaries.**
2. **The Legislature should add an objective and performance metrics for the 0.275% preferential tax rate for small beneficiaries.**
3. **The Legislature should review the 0.9% preferential tax rate for higher earners. If it continues the preference, it should add an objective and performance metrics.**

### Two categories of beneficiaries

**Large beneficiaries** have more than \$250,000 in taxable earnings in the prior year. They are subject to the 0.9% B&O tax rate.

**Small beneficiaries** have \$250,000 or less in taxable earnings in the prior year. They are subject to the 0.275% B&O tax rate.

## Contact us

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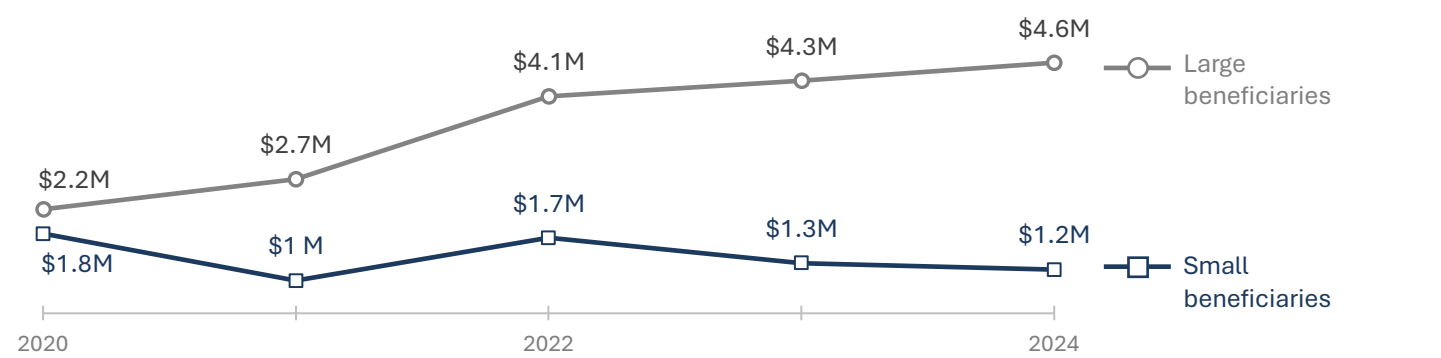
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# Preferences provide reduced B&O tax rates for large and small beneficiaries

Beneficiaries include travel agents and tour operators. Without the preferences, travel agents and tour operators would be subject to B&O rates of 1.5% or 1.75%, depending on annual income.

	Large beneficiaries	Small beneficiaries
Taxable earnings in prior year	Over \$250,000	\$250,000 or less
Reduced B&O tax rate	0.9%	0.275%

Savings for large beneficiaries increased 107%. Savings for small beneficiaries decreased by 33%.



## The Small Business Credit further reduces the B&O tax for small beneficiaries

**The Small Business Credit (SBC)** allows businesses that owe less than a certain amount of B&O tax to take a credit against tax owed.

- Between calendar years 2019-2023, an average of 89% of small beneficiaries used the SBC in combination with the preferential rate.
- Total B&O tax due for small beneficiaries was, on average, 12% of what it would have been without the preference and credit.

## Number of small beneficiaries decreased from 720 to 556 between fiscal years 2020 and 2024

Small beneficiaries also reported reduced taxable earnings and tax savings.

