

Mitigation: Destination-based Sales Tax

Frequently asked questions

May 21, 2008

On July 1, 2008, the state of Washington will change from origin-based to destination-based sales tax for delivered goods. This is Washington's final step to conform with the national Streamlined Sales and Use Tax Agreement (SSUTA). This change will shift local sales tax revenues among local jurisdictions; some jurisdictions will gain revenues while others will see a loss. To ease the hardship on negatively impacted jurisdictions, the streamlined sales tax statute (Chapter 6, Laws of 2007 (SSB 5089)) includes a provision to mitigate losses in revenue. Here are answers to some of the more common questions about mitigation.

Learn More

For additional information about SST mitigation for local governments or for links to the documents referenced above, go to the Department of Revenue's Mitigation web page at

mitigation.dor.wa.gov



- 1. Who is eligible for mitigation?**

Local jurisdictions that experience a **net loss** in sales tax revenues because of the change to destination-based sales tax are eligible for mitigation.

 - Cities
 - Towns
 - Counties
 - Public Facilities Districts (PFDs)
 - Other special districts, such as transit districts, that impose a local sales tax
- 2. What is the “net loss?”**

The “net loss” is a local jurisdiction’s loss in sales taxes due to the change to destination-based sales reduced by the voluntary compliance revenue received by the local jurisdiction.
- 3. What is “voluntary compliance revenue?”**

“Voluntary compliance revenue” is the local sales tax revenue gain to each local taxing jurisdiction reported to the Department of Revenue by sellers in other states voluntarily registered through the SSUTA.
- 4. How is the loss in sales tax determined?**

The loss is based on a business by business comparison of sales patterns in each jurisdiction before and after the change to destination-based sales tax. For more details on how the loss in sales tax is calculated for each jurisdiction, see [Part I: Gain or Loss Calculation](#) on the Department of Revenue’s Mitigation web page at mitigation.dor.wa.gov.
- 5. How is voluntary compliance revenue determined?**

The Department of Revenue will assign a unique tax registration number to voluntary sellers so voluntary compliance revenue can be calculated. For more details on how the loss in sales tax is calculated for each jurisdiction, see [Part II: Voluntary Compliance Revenue Offset](#).
- 6. When does mitigation start?**

The first mitigation payments will be distributed on December 31, 2008. They will cover net losses for July, August, and September of 2008.
- 7. How often are mitigation distributions made?**

Mitigation payments will be distributed at the end of each quarter for the previous quarter’s net loss. For example:

 - March 2009 payments will cover net losses for October, November, and December 2008;
 - June 2009 payments will cover net losses for January, February, and March 2009.
- 8. Which sales taxes may be mitigated?**

Local sales taxes may be mitigated if:

 - The local sales tax is negatively impacted by the change to destination-based sales tax; and
 - The local sales tax is in effect before July 1, 2008.

See table of [Mitigated Local Taxes](#) on the Department of Revenue’s Mitigation web page for a complete list.

9. Which local sales taxes may not be mitigated?

Taxes not imposed prior to July 1, 2008, such as:

- Annexation Services Tax
- Hospital Benefit Zone (HBZ) Tax
- Local Infrastructure Financing Tool (LIFT) Tax

Taxes not impacted by destination-based sales tax, such as:

- Lodging taxes

10. What is the funding source for mitigation?

Money for mitigation is appropriated by the Legislature and is transferred from the State General Fund to the mitigation account.

11. When will mitigation payments stop?

When a jurisdiction's voluntary compliance revenue exceeds its loss of local sales tax revenue, the jurisdiction will not receive mitigation.

12. What input do local jurisdictions have in determining mitigation?

A committee of local government representatives is advising the Department of Revenue. For contact information, see the list of [committee members and staff](#) on the Department of Revenue's Mitigation web page.

13. If I have questions for the Department of Revenue, who should I contact?

You may contact the following Department of Revenue staff:

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