

Facts

How Destination-based Sales Tax Affects Retailers

Changes to sales tax collection start July 1, 2008.

To join the national Streamlined Sales and Use Tax Agreement (SSUTA), Washington had to change the way in-state retailers collect sales tax when they ship or deliver products to customers in Washington. Currently, sales tax is collected based on the location from which a product is shipped or delivered. Starting July 1, 2008, sales tax must be collected based on where the customer receives the merchandise. This change to “destination” does not affect sales when the customer picks up the product at the seller’s place of business.

Washington retailers will benefit from fairer competition with out-of-state Internet and mail order retailers.

More than 1,000 out-of-state Internet and mail order sellers have agreed to begin collecting and remitting sales tax on sales to customers in any state that joins the SSUTA. This number may increase as more states join the Agreement. This will reduce the unfair competitive advantage for out-of-state sellers that aren’t collecting sales tax.

The state will help retailers transition to the new local coding rules.

To help retailers transition to destination-based sales tax, the state Department of Revenue will provide web resources, workshops, tutorials, and other assistance. In addition, certain small retailers are eligible for up to \$1,000 in tax credits (to offset any necessary changes to their accounting, point-of-sale, or other systems) or two years of assistance from a certified service provider – a third party that handles the coding and files the sales tax returns for businesses. Eligible businesses can claim these benefits after July 1, 2008.

Retailers are eligible if they meet all of the following requirements:

- Gross less than \$500,000 annually
- Receive at least five percent of their taxable sales income from deliveries
- Receive at least one percent of their taxable sales income from deliveries outside the jurisdiction where they collect the most sales tax

The streamlining agreement DOES NOT require Washington retailers that sell products to customers outside Washington to begin collecting sales tax on those sales.

Washington companies can choose to register under SSUTA, but are not required to do so. If they voluntarily join, they will then be required to collect and remit sales tax on sales into states that are members of the Agreement.

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