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## **Department of Revenue to Help Retailers Shift to New Sales Tax Collection Rules**

If you're a Washington retailer, and you deliver or ship products to customers within the state, you'll need to change how you collect sales tax starting July 1, 2008.

Under current law, retail sales tax is collected based on the location from which merchandise is shipped or delivered. Under the new law, Washington retailers delivering or shipping goods to customers in Washington must start collecting sales tax based on the location where the customer receives the merchandise – the “destination” of the sale.

### **Why the change?**

Washington businesses that collect sales tax are losing sales to out-of-state retailers that don't charge sales tax. These retailers have a competitive advantage over traditional brick-and-mortar businesses located in Washington. The brick-and-mortar businesses often serve as showrooms for online and mail order sellers. People may look at big ticket items in a local store, but order elsewhere to avoid paying sales tax.

A national effort, known as the Streamlined Sales and Use Tax Agreement, standardizes the way each state taxes goods so it's easier for online and mail order retailers to collect sales tax.

In order to join this national effort, Washington needed to change its method for collecting local sales tax.

### **Sales not affected**

This change does not affect:

- deliveries or shipments outside the state; Washington sales tax is not charged on those sales.
- the rate charged on deliveries and shipments within a taxing jurisdiction, such as deliveries within the same city or county.
- sales when customers take possession at the selling location.

### **Help is coming**

Under Substitute Senate Bill 5089, businesses that make a certain percentage of deliveries outside their home jurisdiction and gross less than \$500,000 a year may receive up to \$1,000 in tax credits to offset changes to accounting and point-of-sale systems; or

the free use, for two years, of a certified service provider (a third party that can handle the coding, and file the sales tax return for businesses).

The Washington State Department of Revenue will be helping retailers prepare for this shift, Revenue Director Cindi Holmstrom said. “We want to make this transition as easy as possible for them,” she said.

The Department is mailing information to retailers, holding business advisory groups, and posting details on its web site. Workshops, tutorials, and other assistance will follow.

For more information, visit <http://dor.wa.gov>.

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