

Extend economic nexus to retail and wholesale activities

Description The proposal extends B&O tax to out-of-state businesses engaging in retail and wholesale activities in Washington without a physical presence in this state. These out-of-state businesses would be subject to B&O tax if they meet any of the following economic nexus thresholds:

- More than \$250,000 of gross receipts are from Washington;
- More than \$50,000 in payroll or property is in Washington; or
- At least 25% of the business's receipts, property, or payroll is in Washington.

Current Law Washington only imposes its B&O tax on businesses that have a “substantial nexus” with this state. In general, a business has nexus for B&O tax purposes if it is domiciled here, has physical presence in Washington, or derives a specified amount of gross income from this state.

For out-of-state businesses that earn income from royalties and from most service activities, nexus requires the business to have more than \$250,000 of gross receipts from this state, more than 50,000 of property or payroll in this state, or at least 25% of its gross receipts, property, or payroll in this state.

Out-of-state businesses making retail or wholesale sales in this state or engaging in any other business activity, nexus generally requires the business have a physical presence in this state.

Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$8.9	\$8.9

Notes:

- *Estimates assume a July 1, 2012 effective date, representing 11 months of collections for FY 2013.*
 - *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*
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Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
TBD	TBD	TBD
