

State of Washington

Study of the Taxation of Electronically Delivered Products

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Committee member: Paula Borhauer

Proposed framework for the taxation of electronically delivered products:

1. Work within existing excise tax structure.
 - Update sales, use and business and occupation tax application or exemptions
 - Avoid creating alternative types of taxes or special sales/use tax rates

2. Determine the state's tax position for electronically delivered products through legislative action.
 - Technology has broad application and rapid growth that impacts many industries
 - Avoid language addressing only a limited group of buyers or sellers
 - Provide certainty and transparency for sellers and consumers

3. Maintain conformity with the Streamlined Sales & Use Tax Agreement and coordinate application of Washington's business and occupation tax structure.
 - Follow SSUTA provisions and definitions relating to specified digital products, digital audio-visual works, digital audio works and digital books and other terms
 - Other electronically delivered products must be defined if tax applies
 - Include existing electronically delivered standard financial information as needed in overall framework of electronically delivered products
 - Coordinate sales tax application decisions and B&O tax classifications as needed
 - As applicable, address any differences regarding usage rights and any alternative delivery methods to avoid uncertainty for sellers and consumers
 - Apply general sourcing rules; however address any issues as needed through the SSUTA process

4. Avoid tax pyramiding within the supply chain for any taxable digital products.
 - Determine state's taxation intent and its impact throughout the supply chain
 - In the digital products supply chain, multiple intermediate sales occur
 - Content may be created or purchased
 - Delivery methods may be direct or through other parties
 - Products and delivery methods are quickly offered in many combinations