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WAC 458-20-277

Certified Service Providers.

1. **Introduction:** This section explains the roles and responsibilities of Certified Service Providers (CSP) as defined in Substitute Senate Bill 5089 (SSB 5089), Chapter 6, Laws of 2007 and RCW 82.58.080. On April 22, 2007, Washington enacted SSB 5089, a legislation package that brings Washington's sales and use tax laws into conformity with the Streamlined Sales and Use Tax Agreement (SSUTA). For more information concerning the SSUTA visit http://www.streamlinedsalestax.org. All websites referenced in this section are not maintained by Washington State or the Department of Revenue. These referenced websites may contain recommendations that require a change to Washington law prior to becoming effective in Washington. July 1, 2008 is the effective date for all matters described in this section.
2. **Definitions.**
   a. **What is a CSP?** A CSP is a person certified under the SSUTA to perform all of a seller's sales and use tax functions, other than the seller's obligation to remit sales and use tax on its own purchases. For more information concerning CSP certification visit the SSUTA website located at: http://www.streamlinedsalestax.org/CSP%20Certification/CSP_Certification.html. For a current list of CSPs visit the SSUTA website located at: http://www.streamlinedsalestax.org/certified%20service%20provider.htm**.**
   b. **What is a model 1 voluntary seller?** The term voluntary seller refers to any seller who has voluntarily registered through the SSUTA central registration system (CIS) and meets one of the following criteria: (1) the seller represents that it does not have a legal requirement to become registered in Washington and does not in fact have a requirement to register in Washington at the time he or she registers with CIS; or (2) for a period of 12 months preceding registration with CIS the seller has (a) no fixed place of business for more than 30 days in Washington, (b) less than $50,000 of property in Washington, (c) less than $50,000 of payroll in Washington, and (d) less than 25% of its total property and payroll in Washington. Model 1 refers to those voluntary sellers that have selected a CSP to perform all of their sales and use tax functions, other than the obligation to remit sales and use tax on their own purchases.
   c. **What is a member state and associate member state?** Member states are those states that have petitioned and been granted full membership under the SSUTA. Associate member states are those states that have petitioned and been designated associate member status under the SSUTA. Washington became an associate member

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state on July 1, 2007. For a list of the current member and associate member states visit the SSUTA website at http://www.streamlinedsalestax.org/certificates%20of%20compliance.htm.

d. **What are monetary allowances?** As a condition of becoming an associate member state, Washington has agreed to permit CSPs to act as agents for sellers in collecting and remitting sales and use tax in Washington. In furtherance of this purpose, Washington has agreed to provide monetary allowances to CSPs acting as agents for model 1 voluntary sellers. The formula for determining these monetary allowances is set forth in the contract (Contract) executed between each CSP and the Streamlined Sales Tax Governing Board. This monetary allowance is the CSP's sole form of compensation with respect to model 1 voluntary sellers during the term of the Contract. The term of the initial Contract is two years from the Contract's effective date. This monetary allowance is determined by using the following formula: (the combined volume of taxes due to all member and associate member states from a model 1 voluntary seller collected by the CSP) multiplied by (the applicable base rate). Simply stated, the formula is (Combined Collected Taxes) x (Base Rate). Table A below sets forth the schedule for "Combined Collected Taxes" and the applicable "Base Rate:

Table A.

Combined Collected Taxes:			Base Rate:
$0.00	-	$250,000	8%
$250,001	-	$1,000,000	7%
$1,000,001	-	$2,500,000	6%
$2,500,001	-	$5,000,000	5%
$5,000,001	-	$10,000,000	4%
$10,000,001	-	$25,000,000	3%
Over $25,000,000			2%

e. **CSP rights and responsibilities.**

(i) A CSP is liable to the member states and associate member states for the retail sales and use taxes owed on the sales transactions that it processes for model 1 voluntary sellers. A CSP is not liable for charging or collecting the incorrect amount of sales or use tax where that error results from reliance on incorrect data

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provided in Department's taxability matrix. To obtain a copy of the taxability matrix visit the SSUTA website located at: http://www.streamlinedsalestax.org/compliance/Washington/Taxability%20matrix.pdf.

(ii) A CSP must provide the Department with a copy of its CSP agreement if requested.

(iii) A CSP may, on the behalf of a seller, claim credits or refunds for sales taxes paid on bad debts. Bad debts have the same meaning provided in 26 U.S.C. Section 166, as amended in 2003. Bad debts do not include expenses incurred in collecting bad debts; repossessed property; and amounts due on property in the possession of the seller until the full purchase price has been paid. See SSB 5089, section 103 and WAC 458-20-196 for more information regarding bad debts.

(iv) With limited exceptions, CSPs must perform their services without retaining personally identifiable consumer information. A CSP may retain personally identifiable consumer information only as long as it is needed to ensure the validity of tax exemptions or to show the intended use of the goods or services purchased. See SSB 5089, section 601 for more information regarding personally identifiable consumer information.

3. **Assistance for eligible taxpayers relating to the implementation of destination based local sales and use tax sourcing rules.** Generally, SSB 5089, section 1602 provides financial assistance to certain eligible taxpayers by either permitting these taxpayers to use CSP services at "no cost" or by allowing the taxpayers a credit against specific taxes. This subsection explains both the "no cost" CSP option and the taxpayer credit.

   a. **Eligible taxpayers.** Model 1 voluntary sellers are not eligible taxpayers. Eligible taxpayers are taxpayers that:

      (i) have registered with the Department and engaged in making sales of tangible personal property with delivery of that property to physical locations away from his or her place of business prior to July 1, 2008;

      (ii) and have during calendar year of 2008:

         A. a physical presence in Washington;

         B. gross income from business of less than $500,000;

         C. at least 5% of his or her gross income from sales subject to sales tax derived from sales of tangible personal property delivered to physical locations away from his or her place of business; and

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D. at least 1% of his or her gross income from sales subject to sales tax derived from deliveries of tangible personal property to destinations in local jurisdictions imposing sales tax other than the one to which the taxpayer reported the most local sales tax during the 2008 calendar year.

b. **Use of CSP at "no cost".** Eligible taxpayers may use the services of a CSP at no cost for reporting periods up to two years after July 1, 2008. CSPs providing services under this subsection will be compensated consistent with Table B below.

TABLE B [To be determined]

c. **Credits.** Eligible taxpayers who do not choose the "no cost" option above may claim a credit for eligible costs. This credit may be taken against the taxes imposed by RCW 82.08.020(1) which were collected and remitted by that taxpayer as seller and also the business and occupation taxes imposed under RCW 82.04.220. The amount of this credit is equal to the sum of the compliance costs related to SSB 5089, section 503 and Chapter 6, Laws of 2007. The maximum credit permissible is $1,000. This credit must be claimed within one year of July 1, 2008 and cannot be taken prior to that date. This credit may be claimed until used, but no refunds may be granted in lieu of the credit.

d. **Eligible costs**. Eligible costs are goods and services purchased and labor costs incurred for the purpose of complying with local sales and use tax destination sourcing rules. Only costs incurred within one year of July 1, 2008 qualify for the credit, i.e., eligible costs incurred between July 1, 2007 and June 30, 2009.