

Tax Facts

Taxability for Internet businesses

With more businesses making sales or providing services via the Internet, we're often asked how excise taxes apply to such businesses. The following discussion provides the tax application for Internet businesses located in Washington, as well as for Internet businesses located outside of Washington.

Internet-based businesses located in Washington

Washington businesses that sell tangible personal property or provide services over the Internet are taxable in the same manner as any "brick and mortar" business located in Washington.

Items delivered in Washington

Washington sales tax must be collected on all sales delivered to customers/end users in Washington. Income from such sales is also subject to retailing business and occupation (B&O) tax.

Items delivered outside of Washington

When an item is delivered to the buyer at a location outside of Washington, the sale is considered an interstate or foreign sale and is not subject to Washington sales tax. The sale is also deductible from retailing B&O tax. See WAC 458-20-193(4) for information on documenting out-of-state delivery.

Services performed in Washington

Many Internet businesses provide or perform services rather than sell tangible personal property, for instance, web design or consulting services. Income earned from providing services over the Internet is generally subject to service and other activities B&O tax if the service is performed in Washington. In such cases, the customer's location does not matter.

Internet-based businesses located outside of Washington

Out-of-state businesses that sell tangible personal property to or perform services for Washington residents over the Internet are generally taxable in the same manner as other out-of-state businesses. To be subject to Washington taxation, a company must:

1. Deliver goods to the buyer in Washington, and
2. Have a physical presence or "nexus" in Washington.

Nexus is created by any number of activities, including sending a sales representative to Washington, installing items in-state, or using an independent sales representative to promote products. See WAC 458-20-193(7) for additional examples of nexus-creating activities.

Items delivered in Washington from outside the state

If an Internet business located out-of-state has established nexus in Washington, then sales tax must be collected on all items delivered to customers in Washington. Income from such sales is also subject to retailing B&O tax. If an Internet business based out-of-state does not conduct any nexus-creating activities in this state, then it is not required to obtain a business registration in Washington or collect or pay Washington taxes.

inside

Staffing Industry Tax Guide available online	2
2004 Taxpayer Satisfaction Survey	2
Annual Survey for deferrals	2
Tax workshops	2
Rule making	3
Changes to interpretive/policy statements	4
On the web	4

Services performed outside the state for customers in Washington

If an out-of-state Internet business performs services from a location outside of Washington for a customer located in this state, the income is not subject to Washington taxes to the extent that services are not performed in this state.

If services are performed both in and out-of-state, the service provider may be able to apportion the income between Washington and the out-of-state location. For additional information on apportioning, see RCW 82.04.460.

Staffing Industry Tax Guide now available online

The Department recently concluded meetings with representatives of the staffing industry. The purpose of these meetings was to resolve confusion related to proper reporting of state excise taxes (including collection and reporting of sales tax) by industries that provide workers to perform a variety of services for clients on a temporary or short-term basis.

As a result of discussions with the industry, the Department prepared a Staffing Industry Tax Guide. This online guide is available on our web site at <http://dor.wa.gov>, click on Taxes, then “Industry Specific Information.”

2004 Taxpayer Satisfaction Survey assists to improve services

Every three years, the Department conducts a survey of randomly selected businesses to determine how we’ve met your needs and expectations.

The 2004 Taxpayer Satisfaction Survey results are now in. The 2004 survey confirmed that satisfaction with our services is generally up from past years. Most businesses indicate that our staff is efficient, courteous, and helpful.

The recent survey also shows that approximately 68 percent of businesses have Internet access, and many businesses use the Internet as a fast and efficient way to access tax information and assistance. An ever-growing number of businesses find electronic filing (E-file) to be the easiest and most accurate way to file tax returns.

As in the past, we will review all the survey results to find ways to improve our services and products. As a result of past surveys, the Department has provided more industry specific workshops and tax guides. We’ve also worked more closely with industry representatives in developing our services.

If you participated in the 2004 Taxpayer Satisfaction Survey, thank you for helping us find ways to do a better job for you. Your opinions are very important to us!



Tax workshops

We offer workshops free of charge throughout the state. To view the updated schedule, register for a workshop, or for more information, visit our web site at <http://dor.wa.gov>, click on **Doing Business**, then select “Workshops” from the menu on the left side.

Once you find the workshop that’s right for you, complete our online registration form to sign up. See you there!

Construction Workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, public road construction, and much more. A workshop is currently scheduled for:

DATE	LOCATION	ADDRESS	TIME
4/21/05	Everett	Everett Community College, Parks Building, Room C, 2000 Tower Street, Everett (Register online or call 1-800-647-7706)	1:30 - 3:30 pm

Reminder!

Protect your right to claim tax deferrals and credits

Businesses that participated in certain tax deferral/waiver or credit programs during calendar year 2004 must complete and file Annual Survey forms by **March 31, 2005**. This includes participants in the following programs:

- Rural County Sales and Use Tax Deferral/Waiver (Chapter 82.60 RCW)
- High Technology Sales and Use Tax Deferral/Waiver (Chapter 82.63 RCW)
- High Technology B&O Tax Credit (RCW 82.04.4452)

Rule making

Following is a listing of the Department of Revenue's recent excise tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov>, go to Laws and Rules, then look under the "Rule Making" heading. You may also call our Telephone Information Center at **1-800-647-7706**.

Excise Tax Rules (WACs) adopted or amended:	
458-20-110	Delivery charges – effective January 30, 2005.
458-20-141	Duplicating activities and mailing bureaus – effective July 1, 2005.
458-20-144	Printing industry – effective July 1, 2005.
458-20-17803	Use tax on promotional materials – effective July 1, 2005.
458-20-186	Tax on cigarettes – effective January 30, 2005.
458-20-190	Sales to and by the United States – Doing business on federal reservations – Sales to foreign governments – effective February 5, 2005.
458-20-196	Bad debts – effective February 27, 2005.
458-20-198	Installment sales, method of reporting – effective February 27, 2005.
458-20-240	Manufacturers' new employee tax credits – effective January 10, 2005.
458-20-255	Carbonated beverage syrup tax – effective January 27, 2005.
458-20-263	Wind, landfill gas, and solar energy electric generating facilities sales and use tax exemption – effective January 30, 2005.
458-20-267	Annual surveys for certain tax adjustments – emergency rule effective January 7, 2005.
458-20-268	Annual reports for certain tax adjustments – emergency rule effective January 7, 2005.
Excise Tax Rules (WACs) repealed:	
458-20-18601	Wholesale and retail cigarette vendor licenses – effective January 30, 2005.
458-20-191	Federal reservations – effective February 5, 2005.
458-20-99999	Appendix – The Buck Act – effective February 5, 2005.

Forest Tax Rules (WACs) adopted or amended:	
458-40-540	Forest land values (2005) – effective January 1, 2005.
458-40-660	Timber excise tax – Stumpage value tables – Stumpage value adjustments – effective January 1, 2005.

Property Tax Rules (WACs) adopted or amended:	
458-10-050	Continuing education requirements – Appraisal practice and ethics – effective January 30, 2005.
458-12-050	Omitted property and omitted value – effective January 30, 2005.
458-12-110	Listing of personal property by the assessor – Penalties for failing to list personal property and for making a false or fraudulent listing – effective January 30, 2005.
458-16-1000	Property belonging to federally recognized Indian tribes – Definitions – Exemptions – Declaration process – Appeal rights – emergency rule effective January 27, 2005.
458-18-220	Refunds – Rate of interest – effective January 1, 2005.
458-30-262	Agricultural land valuation – Interest rate – Property tax component – effective January 7, 2005.
458-30-590	Rate of Inflation – Publication – Interest Rate – Calculation - effective January 7, 2005.

Property Tax Rules (WACs) repealed:	
458-12-095	Listing of personalty – Partial listing– effective January 30, 2005.
458-12-100	Listing of personalty – Omitted property – Omitted value - effective January 30, 2005.
458-12-105	Listing of personalty – Willful failure to list or fraudulent listing – Penalty – effective January 30, 2005.
458-12-320	Timber – Ownership – Valuations – Roads – Easements – effective January 27, 2005.

SIMPLE SECURE SAFE



Join the nearly 100,000 businesses that file and pay their taxes electronically. For information, call 1-877-345-3353 or go to <http://dor.wa.gov> and click on the Online Services icon.

FAST FREE

Changes to interpretive/policy statements

The Department issues interpretive and policy statements to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued, revised, or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise Tax Advisories issued:	
2016.04.111	Staffing companies and professional employer organizations – first revision effective January 4, 2005.
2018.04.240	Alternative credit computation formula – Seasonal employment manufacturers – effective November 9, 2004.
2019.04.245	Applicability of RCW 82.08.0289 residential telephone service exemption to cellular telephone service – effective December 1, 2004.
2020.08.129	Automobile towing and roadside assistance activities – effective January 4, 2005.
2021.04.24003	Business and occupation tax credit on research and development spending for staffing companies – effective January 4, 2005.
2022.08.257	Distinguishing warranties and maintenance agreements – effective January 4, 2005.

Excise Tax Advisories cancelled (all effective 2/5/05):	
258-08-190	National guard post exchange sales.
268-04-092	Indian owned corporation doing business on a reservation – effective January 27, 2005.
350-04-190	Business and occupation tax – Medical service associations.
2007.04.190	Taxability of federal instrumentalities and federally created corporate entities.

Excise Tax Advisories revised (all effective 1/27/05): <i>(Pertaining to Manufacturers Machinery and Equipment)</i>	
2012-1S	Rental of tangible personal property and providing personal property along with an operator.
2012-4S	Devices.
2012-5S	Design and product development.
2012-8S	Computers.

Property Tax Advisories issued:	
6.0.2004	Property taxability of motor vehicles – effective December 7, 2004.

On the Web



<http://dor.wa.gov>

Now you can communicate with us securely through e-mail

We recently launched a new feature on our Internet web site called Online Services. This new feature makes it possible for businesses and individuals to send and receive confidential messages securely.

For years, businesses have enjoyed the convenience and security of E-file. Now we are adding other secure online services, the first of which is secure messaging. With one logon ID and password, you can access E-file and our secure messaging system.

What is secure messaging?

Secure messaging allows you to communicate via secure e-mail with Department staff. For instance, you would first register for Online Services and have the option of adding a business account. By adding a business account, you can send an e-mail message to the Department to request a binding tax ruling, ask questions about your business, etc. If you don't add a business account, you can still send secure e-mail messages that are not account-specific.

How can you get started sending secure e-mails messages?

Simply go to <http://dor.wa.gov> and click on Register Now on the right side of the screen. The system will walk you through the registration process to start sending secure e-mail messages that are not account-specific. If you want to communicate about a business account, you will need to "Add an Account." To do this, you will need a recent tax return with your tax registration number and pre-assigned access code.

How does this affect E-filers?

Current E-filers will use their existing logon IDs and passwords to access Online Services and E-file. However, new E-filers will need to register for Online Services to file their returns electronically.

Are other online services coming soon?

Yes. In the near future, the Department plans to add many online services. This includes the ability to file and pay use tax and outstanding liabilities, file an appeal, and report unclaimed property. Stay tuned!

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.

Teletype (TTY) users please call 1-800-451-7985.



Printed on recycled paper