



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

May 27, 2015

Trade Convention Exception from Nexus for Retail Sales

Starting July 1, 2016, a new law gives an exception to Washington's nexus law by stating that attendance and/or participation by one or more representatives of a person at one "trade convention" per calendar year does not establish a physical presence in Washington and does not create nexus for retail sales. (Substitute House Bill 2938, Chapter 137, Laws of 2016).

This exception does not apply to persons making retail sales at trade conventions (or otherwise making retail sales) in this state, including persons taking orders for products or services where receipt happens in Washington.

(An economic nexus standard, rather than a physical presence standard, applies to most service and wholesaling activities.)

Does exhibiting at a trade show create physical presence nexus in Washington?

No, but only if the exhibitor participates in a single trade show per calendar year and the trade show qualifies as a "trade convention" under this legislation.

If the trade show is marketed to the general public, then it does not qualify as a "trade convention" under this law. So, exhibiting at such a trade show is a nexus-creating activity.

If the trade show is not marketed to the general public, then the trade show qualifies as a "trade convention under this legislation."

What other in-state activities create nexus with Washington for retail sales?

A few examples of nexus-creating activities include, but are not limited to:

- having employees or property in the state
- soliciting sales in this state through employees or other representatives
- installing or assembling goods in this state, either by employees or other representatives
- maintaining a stock of goods in this state
- renting or leasing tangible personal property
- providing services
- constructing, installing, repairing, maintaining real property or tangible personal property in this state
- making regular deliveries of goods into Washington using the taxpayer's own vehicles

In addition, out-of-state retailers are presumed to have physical nexus with this state if they:

- enter into agreements with Washington residents and pay a commission or other consideration for referrals (such as linking on a website), and
- gross more than \$10,000 in sales into Washington state during the prior calendar year under this type of agreement.

More information on nexus-creating activities is available on the Department of Revenue's (DOR) website and in WAC 458-20-193.

If I have nexus with Washington, how do I register and report?

- To register, file a Business License Application. This form will register your business with DOR and other state agencies. Once the license is processed, your business will be assigned a Unified Business Identifier (UBI). This is also called a Tax Registration Number. Once nexus is established, all sales into Washington (not just sales made

at conventions and trade shows) are subject to Washington's taxes at least for the current year and the following year.

- Once you are registered, DOR will assign your business a reporting frequency (i.e. monthly, quarterly, annually). Businesses must report their sales on a combined excise tax return. Most businesses report monthly or quarterly depending on the size of the tax liability, and are required to electronically file.

If I don't have nexus with Washington, do I still have to report anything?

No. If a business does not have nexus then they are not required to register with the DOR or file tax returns in Washington.

Definitions:

"Trade convention" means an exhibition for a specific industry or profession, which is not marketed to the general public, for the purposes of:

- exhibiting, demonstrating, and explaining services, products or equipment to potential customers; or
- the exchange of information, ideas, and attitudes in regards to that industry or profession.

"Not marketed to the general public" means that trade convention sponsor limits its marketing efforts for the trade convention to its members and specific invited guests of the sponsoring organization.

Questions?

Call DOR at 1-800-647-7706.