

Destination-based Sales Tax

SALES TAX CHANGE EFFECTIVE JULY 2008 FOR SHIPMENTS AND DELIVERIES

Background

Why did we move to the Destination-based Sales Tax?

Washington businesses that collect sales tax are losing sales to out-of-state retailers that don't charge sales tax.

These retailers have a competitive advantage over traditional brick-and-mortar businesses located in Washington. The brick-and-mortar businesses often serve as showrooms for online and mail order sellers. People may look at big ticket items in a local store, but order elsewhere to avoid paying sales tax.

A national effort, the Streamlined Sales and Use Tax Agreement, simplifies and standardizes the way each state taxes goods so it's easier for online and mail order retailers to collect sales tax.

In order to join this national effort, Washington had to change its method for collecting local sales tax.

Learn more

To receive updates, sign up on our web site at destinationtax.dor.wa.gov
1.800.647.7706

What is changing for Washington retailers?

Under current law, retail sales tax is collected based on the location from which merchandise is shipped or delivered. Substitute Senate Bill 5089 changes that.

On July 1, 2008, Washington retailers delivering goods to customers in Washington must start collecting sales tax based on where the customer receives the merchandise – the “destination” of the sale.

For example, if a Darrington resident purchases a couch from a furniture store in Bothell and requests home delivery, the sales tax will be based on the rate in the city of Darrington. The local sales tax revenue will go to the city of Darrington even though the store is in Bothell.

The destination sales tax is a change for businesses that deliver merchandise in Washington. There is no change for over-the-counter sales where customers take home goods from the store location in Washington, and there is no change for sales to out-of-state customers.

Some businesses will see no change

If you do not deliver merchandise, you will do business as usual. Sales not affected by this change are:

- wholesale sales
- most services
- sales of motor vehicles, trailers, semi-trailers, aircraft, watercraft, modular homes, and manufactured and mobile homes

Assistance

The Department of Revenue is working directly with businesses affected by this change. Together, we are developing the information and tools to ease the transition to destination sourcing.

This will include:

- comprehensive web resources
- informational mailings
- workshops

Small businesses that make a certain percentage of deliveries outside their home jurisdiction and gross less than \$500,000 a year can receive up to \$1,000 in tax credits, or two years of free service from companies authorized to assist them (“certified service providers”).