

# Rules

## Destination-based Sales Tax

SALES TAX CHANGE EFFECTIVE JULY 1, 2008, FOR SHIPMENTS AND DELIVERIES

### How to properly code transactions after July 1, 2008

#### Rule 1

If a customer takes possession of property, retail service, or extended warranty at your business location, calculate the sales tax based on the rate at your business location.

#### Rule 2

If your customer will receive the product, retail service, or extended warranty at a location other than your place of business, code the sales tax to the location where the customer receives the property, service, or warranty.

*Example:* A customer who lives in Seattle goes to a furniture store in Everett to buy a couch to be delivered to her home in Seattle. The furniture store will collect sales tax based on the rate at her Seattle address where the couch will be received.

#### Rule 3

If you don't know the address where the product or service will be received, you should code the sales tax to your customer's address maintained in your ordinary business records, provided use of the address does not constitute bad faith.\*

*Example:* A longtime customer buys prewritten software from a Tacoma retailer. The customer downloads the software but provides no indication as to the location where the software is being received. The retailer frequently delivers these types of items to the customer at a specified location in Tacoma and keeps this address in its ordinary business records. Because the customer does not receive the software at the seller's place of business and it is unknown where the software is received, the retailer may use the buyer's address as maintained in its ordinary business records.

#### Rule 4

If you don't have a delivery address or an address where your customer has received shipments, you should code the sales tax to an address for the purchaser obtained at the time of the sale. This might be the address that appears on a check, credit card, or money order, as long as use of the address does not constitute bad faith.\*

*Example:* A customer buys prewritten software over the Internet from a retail outlet on Vashon Island. The customer pays by credit card and the seller transmits the software to an e-mail address given by the customer, but the e-mail address does not identify the customer's location of receipt. At the time of sale, the customer entered a Port Angeles billing address. The retailer will base the sales tax on the customer's Port Angeles address.

Department of Revenue  
Washington State

destinationtax.dor.wa.gov  
1-800-647-7706

## Rule 5

If you cannot apply Rules 1 – 4 or do not have enough information to code the sales tax under one of the four methods above, you should base the sales tax on the location as determined under the following rules:

- **Tangible personal property:** The location from which the property was shipped.
- **Retail services and extended warranties:** The location from which the services or warranties were provided.
- **Prewritten software (and digital goods):** The location at which the software was first made available for transmission.

\* These examples assume that the time of sale is recognized according to the seller's customary tax accounting methods. If a seller knowingly uses an invalid address, the address is used in bad faith. The seller's manipulation of an address or sales date to avoid or alter the amount of sales tax for a transaction is considered bad faith and the seller would be liable for engaging in fraud or doing business with gross indifference to the law.

### Special Sourcing Provisions:

- For the sourcing of leases of tangible personal property, see RCW 82.32.730(2)-(4).
- For the sourcing of sales of watercraft; motor vehicles; and modular, mobile and manufactured homes, see RCW 82.32.730(6).
- See SB 6799 for recent sourcing rules relating to florists.

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.

