How are local sales tax gains and losses calculated?

Gains and losses for each jurisdiction were determined by comparing the change in sales for every business in each location from *fiscal year (FY)* 2008 to *FY* 2009, by individual business. Using actual tax return data, the state determined what the jurisdiction *would have* made in 2009 if sales tax was still origin-based. This amount is the gain or loss that helps determine mitigation payments.

Use this example when referring to the following calculation steps:

A business has a storefront in unincorporated King county, and they also deliver from the store.
In 2009, they made $100,000 in sales as follows:

Location	Location code	Amount
King County	1700	$45,000
Bellevue	1704	$20,000
Redmond	1724	$10,000
Seattle	1726	$25,000
	Total:	$100,000

Calculating gains and losses

Step one: Determine what location codes your sales *would* have gone to in 2008, by percentage.

Divide the taxable amount of each location code by that total.

Taxable sales by location code (FY 2008)	÷	Total taxable sales (FY 2008)	=	Percent of taxable sales by location code (FY 2008)

Example:
All of these sales would have gone to the store's location (unincorporated King county) in FY 2008 when taxes were origin-based, so the percentage you are calculating is only for unincorporated King county.

Loc. Code	Amount ÷ Total sales	= Percentage
1700	$100,000 / $100,000	1 or 100%
1704	--	--
1724	--	--
1726	--	--

Step two: Estimate what each location code would have had in FY 2009 if the tax had not changed to destination-based.

Multiply the FY 2009 total sales (by business) by the percentage found in step one.

Percent of taxable sales by location code (FY 2008)	x	Total taxable sales (FY 2009)	=	Estimated taxable sales (FY 2009 if origin-based)

Example:

Loc. code	Percent x Total	= Estimated taxable sales
1700	100% x $100,000	$100,000
1704	0% x $100,000	$0
1724	0% x $100,000	$0
1726	0% x $100,000	$0

Step three: Find the difference (gain or loss) between the actual destination-based taxable sales, and the estimated origin-based taxable sales.
Subtract the estimated sales from the total actual sales.

Actual taxable sales (FY 2009)	-	Estimated taxable sales (FY 2009 if origin-based)	=	Gain or loss of taxable sales by location code

Example:

Loc. code	Actual - Estimated	= Gain or Loss in sales
1700	$45,000 – $100,000	($55,000) loss
1704	$20,000 – $0	$20,000 gain
1724	$10,000 – $0	$10,000 gain
1726	$25,000 – $0	$25,000 gain

Step four: Determine the gain or loss of sales tax.
Multiply the gain or loss found in step three by the tax rate of each location code.

Gain or loss of taxable sales by location code	x	Tax rate by location code	=	Gain or loss of sales tax by location code

Example:

Loc. code	Gain/loss x tax rate	= Gain or loss in tax
1700	($55,000) x .025	($1,375) loss
1704	$20,000 x .025	$500 gain
1724	$10,000 x .025	$250 gain
1726	$25,000 x .025	$625 gain

Summary of calculation:

1	Taxable sales by location code (FY 2008)	÷	Total taxable sales (FY 2008)	=	Percent of taxable sales by location code (FY 2008)
2	Percent of taxable sales by location code (FY 2008)	x	Total taxable sales (FY 2009)	=	Estimated taxable sales (FY 2009 if origin-based)
3	Actual taxable sales (FY 2009)	-	Estimated taxable sales (FY 2009 if origin-based)	=	Gain or loss of taxable sales by location code
4	Gain or loss of taxable sales by location code	x	Tax rate by location code	=	Gain or loss of sales tax by location code