Mitigation and destination-based sales tax

How are payments calculated?

Sales tax component types

For Streamlined Sales Tax, Mitigation Sales Tax components are combined in three ways:

- **Aggregated components:**

These components are added together to determine gain or loss.

Aggregated components
Add together +/-
Basic
Optional
Juvenile Facilities
Criminal Justice
Rural

- **Non-aggregated components:**

Only losses are taken into consideration for this component type. The purpose of this is to allow special revenues, like revenue dedicated for bonds, to be included in the annual loss calculation separately.

Non-aggregated components
Losses only (-)
Transit
Communications
Public Facilities Districts
King County Food and Beverage
Public Safety
Metro Parks
Regional Theatres
Mental Health
Football
Baseball
Regional Transit Authority
Rental Car – Any County
Rental Car – King County
Rental Car – Regional Transit

- **Offset-only components:**

These components have an implementation date of July 1, 2008 or later. A jurisdiction will not be compensated for losses to these components because they were not impacted by the change to destination-based sales tax. However, these components do affect the mitigation payment amount. There are two sub-types of offset-only components:

  - **Voluntary offset:** all revenues from voluntary sellers, including revenues from these components.
  - **Marketplace offset:** all revenues from marketplace facilitators, remote sellers, and use tax from consumers.

Voluntary & Marketplace offset
Offset-only
Annexation Services
Distressed PFD
Health Sciences
Local Infrastructure Financing (LIFT)
Local Mental Health
Local Public Safety
Local Revitalization Financing (LRF)
Transportation Benefit Districts
Any other taxes effective after 6/30/08

Calculating the mitigation payment

If the total of the aggregate components is **negative**, the following calculation is used:
((sum of aggregate components + sum of non-aggregated component losses) + voluntary offset + marketplace offset))

If the total of the aggregate components is **positive**, the following calculation is used:
((sum of non-aggregated component losses) + voluntary offset + marketplace offset))

The Department will apply a $25 minimum threshold to mitigation payments. Net revenue losses of less than $25 will not be mitigated.

Example: original loss/mitigation calculation

This example demonstrates how the initial loss was calculated.

Aggregated		Non-aggregated		Voluntary offset		Marketplace offset	
Basic/Optional	(1,000)	Emergency Communications	(100)	Basic/Optional	100	Marketplace	600
Criminal Justice	500	Mental Health/Chemical Dependency	(500)	Criminal Justice	50		
		Public Safety and Health	200	Emergency Communications	50		
				Mental Health/Chemical Dependency	100		
				Public Safety and Health	100		
Total:	(500)	**Total *losses*:**	(600)	**Total:**	400	**Total:**	600

Annual loss				Total offset					
Aggregate total (if negative)		**Non-aggregate Losses**		**Voluntary offset**		**Marketplace offset**		**Total**	**Mitigation payment**
(500)	**+**	(600)	**+**	400	**+**	600	**=**	(100)	$100

Set annual loss and current payments

Jurisdictions receiving mitigation now have a set annual loss amount.

To calculate quarterly mitigation payments, the annual loss is divided by four. Then, the previous quarter's offset is added to this amount. If there is still a loss, then the amount is multiplied by negative one and that amount becomes the mitigation payment. If there is a gain, no payment is made and mitigation may end for that jurisdiction.

Example:

City A has an annualized loss of $2,500. Last quarter, their voluntary offset was $60, and their marketplace facilitator/remote seller offset was $100.

¼ of Annual loss	+	**Quarterly offset**		=	**Total**	**Mitigation payment**
		Voluntary offset	Marketplace offset			
(625)		60	100		(465)	$465