



Mitigation and destination-based sales tax

Glossary of terms

A

Aggregated components

Parts of local sales tax that are added together when calculating gains and losses.

D

Destination-based taxes

Taxes collected at the rate of the point of delivery or first use of a product. As of 2008, Washington State's sales tax is destination-based.

F

Fiscal Year (FY)

The state fiscal year begins July 1 and ends June 30. For example, FY 2009 began July 1, 2008 and ended on June 30, 2009. The annual calculations was based on the fiscal year, except for annual taxpayers where calendar year 2007 was compared to 2009.

G

Gain or loss in sales tax

The point in time difference between the local jurisdiction's actual *destination-based* taxable sales and the estimated *origin-based* taxable sales.

L

Local taxing jurisdiction

Areas where a local sales tax rate applies. Local taxing jurisdictions impose sales and use tax, and include counties, cities, transportation authorities (RCW 82.14.045), public facilities districts (chapters 36.100 and 35.57), public transportation benefit areas (RCW 82.14.440), and regional transit authorities (chapter 82.112 RCW).

M

Marketplace

An online or physical center operated by a *facilitator*, where goods from multiple sellers are sold.

Marketplace facilitator

A marketplace facilitator contracts to facilitate sales of another seller's products through a *marketplace*.

Marketplace facilitator/remote seller revenue

The local sales tax revenue gain to each local taxing jurisdiction, as estimated by the Department of Revenue from *marketplace facilitators* and *remote sellers*. This revenue also includes gains in use tax reported to the Department of Revenue by consumers, but does not include sellers with physical presence in Washington.

Marketplace seller

A marketplace seller makes retail sales through a physical or electronic marketplace operated by a facilitator, or directly through a *referrer*. Marketplace sellers can be either a *remote seller*, or sellers with a physical presence in Washington.

N

Net gain

If revenue gain from destination-based sales tax is greater than the loss in sales tax due to *destination-based sales*, the *local jurisdiction* has a "net gain." When the *voluntary compliance* and *marketplace facilitator/remote seller* revenue is added to the gain in sales tax, the result is also referred to as the *net gain*.

Net loss

A local jurisdiction's loss in sales tax revenue due to *destination-based sales*, reduced (offset) by the revenue received from *voluntary compliance*. Beginning with the June 30, 2018 payment, a local jurisdiction's loss is also

reduced by *marketplace facilitator/remote seller* revenue.

Non-aggregate components

Parts of local sales tax, only the losses are taken into consideration when calculating gains and losses.

O

Offset-only components

Jurisdictions will not be compensated for losses from local tax rates implemented on or after July 1, 2008. They did not exist prior to destination-based sales tax. These are included in offset amounts because the offset includes all local sales taxes paid by specific taxpayers.

Origin-based taxes

Taxes billed at the rate of the origin of a product—or where the product is shipped or purchased from.

P

Physical presence

Physical presence (also known as nexus) is when the business has one or more of the following:

- Stock of goods in Washington State
- Solicits sales in Washington through employees or other representatives
- Delivers into Washington using the business' own vehicles
- Installs or assembles goods in Washington

R

Referrer

Generally, a referrer receives a commission, fee, or other consideration from a seller for listing or advertising the seller's goods or services and transferring purchases to the seller. A referrer *does not* collect payment from the purchaser. Referrers do not include publishers, or internet advertising services that do not provide information about the shipping or tax collection terms of the seller.

Remote seller

A remote seller makes sales into Washington, but does not have *physical presence* in the state.

S

State-shared taxes

State-shared taxes are taxes that are shared with the local jurisdiction out of the state sales tax rate.

Streamlined Sales and Use Tax Agreement (SSUTA)

SSUTA is a cooperative effort of multiple states, local governments, and the business community to provide a simpler and more uniform sales and use tax structure for businesses selling into multiple states.

T

Tax components

Parts that make up local sales tax rate. Each part is authorized under a separate law and is distributed in its own way.

V

Voluntary compliance revenue

The local sales tax revenue gain to each local taxing jurisdiction reported to the Department of Revenue by sellers in other states voluntarily registered through the *SSUTA*.