



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JUNE 5, 2008

Qualifying Florists Exempt from Destination Sales Tax Sourcing

Senate Bill (SB) 6799, Chapter 324, Laws of 2008, exempts qualifying florists from destination sourcing. Qualifying florists will continue to source their sales as they have previously. "Source" refers to the location (as in a local taxing district, jurisdiction or authority) where a sale occurs and is subject to retail sales tax.

Most other retailers must switch from origin sourcing to destination sourcing (based on the location where the customer receives the goods) on July 1, 2008, including businesses that sell flowers but do not qualify as florists as defined in this legislation.

Background

Effective July 1, 2008, Washington will take the final steps in conforming its laws to the provisions of the national Streamlined Sales and Use Tax Agreement (SSUTA), including implementing SSUTA provisions related to destination sourcing for sales taxes. RCW 82.32.730 implements destination sourcing for most retail sales in Washington. However, the national agreement was recently amended to allow states implementing SSUTA to exclude florist sales from destination-based sourcing. SB 6799 capitalizes on this amendment by allowing qualifying florists to collect and remit state and local sales tax based upon origin sourcing rules after July 1, 2008.

Qualifying florists

A person whose **primary business activity (more than 50% of gross sales)** is the retailing of fresh cut flowers, floral arrangements, floral bouquets, wreaths, potted ornamental plants and similar products that are not used for landscaping purposes, qualifies as a florist.

Sourcing sales of qualifying florists

FTD sales – For qualifying florists who take an order from a customer and then give that order to a second florist for delivery, the place of origin will continue to be the location of the florist who originally took the customer's order. This type of transaction is typically carried out using the Florists' Transworld Delivery Association (FTD) or another floral network service.

Non-FTD sales – Sales by qualifying florists should be sourced to the location at or from which delivery is made to the customer. Frequently, this will be the florist's store location.

Tax examples of qualifying florists' sales:

1. A retailer's sales of fresh cut flowers, floral arrangements, floral bouquets, wreaths, potted ornamental plants and similar products represents 52 percent of all retail sales. The retailer is a qualifying florist and will source their FTD and non-FTD sales as discussed above. This business will not have to change to destination sourcing.
2. A qualifying florist makes a non-FTD sale of a floral arrangement and a stuffed animal and receives instructions to deliver both items to a local hospital. The sales tax rate for both items is determined by the qualifying florist's location.

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3. A qualifying florist sells a floral arrangement and uses a FTD network service to deliver the arrangement in another state. The florist collects sales tax based on the florist's location regardless that delivery occurs in another state.

Other businesses that sell floral products

A business does not qualify as a florist if their retail sales of cut flowers, floral arrangements, floral bouquets, wreaths, potted ornamental plants and similar products are 50 percent or less of their total sales.

A business who is not a qualifying florist must use destination sourcing to determine the applicable sales tax. They must collect sales tax and code their retail transactions to the location where the goods are delivered. **This is true even if the person uses FTD or another floral network service to receive orders from or forward orders to other network florists.**

Tax examples for other businesses that sell floral products:

1. A grocery store operates an in-store floral department and makes and accepts floral network deliveries. The grocery store's retail sales of fresh cut flowers, floral arrangements, floral bouquets, wreaths, potted ornamental plants and similar products represents five percent of total sales. The grocery store is not a qualified florist and must use destination sourcing to determine the applicable sales tax on all sales.

2. Using the same facts in example one for other businesses selling floral products, the floral department sells a floral arrangement and receives instructions to deliver the arrangement to a nearby office. The floral department must collect sales tax based on the location where the arrangement is delivered. This is true whether or not this is a FTD order.

3. Using the same facts in example one for other businesses selling floral products, the grocery store receives an order for various taxable and nontaxable grocery items and fresh cut flowers. The customer asks that the items be delivered to the customer's home. Sales tax for all taxable items is based on the location where all of the items are delivered.

4. Using the same facts in example one for other businesses selling floral products, the floral department sells flowers to a customer who asks that the flowers be delivered to an address in another Washington city. Using a floral network service, the floral department forwards the order to a florist in the destination city. The floral department must collect sales tax based on the location where the flowers are delivered.

5. Using the same facts in example one for other businesses selling floral products, the floral department sells flowers to a customer who asks that the flowers be delivered in a neighboring state. Using a floral network service, the floral department forwards the order to a florist in another state. Because the grocery store is subject to destination sourcing, the sale is an interstate sale and is not subject to Washington's sales tax.

More information

If you have questions or need more information, contact the Department's Telephone Information Center at 360-705-6705. Additional information on destination sourcing is available at dor.wa.gov.

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**Important Information on
Exemption for Qualifying Florists from
Destination Sales Tax Sourcing
Enclosed**



Washington State Department of Revenue