MEMORANDUM

TO: Campus Community
FROM: Purchasing Department
DATE: August 14, 2008
SUBJECT: Destination Based Sales Tax Effective July 1, 2008

With passage of Substitute Senate Bill 5089 ("Streamlined Sales Tax"), Washington State will change from an origin-based system for local retail sales tax to a destination-based system. Prior to July 1, 2008, Washington retailers collected local sales tax based on the jurisdiction from which a product is shipped or delivered - "origin-based." Starting July 1, 2008, vendors will start to collect sales tax based on the destination of the shipment or delivery - "destination-based."

Destination-based sales tax will apply only to vendors that ship or deliver the goods they sell to locations within Washington. Under the new rules, if a retailer delivers or ships merchandise to a buyer in Washington State, the sales tax is collected based on the rate at the location where the buyer receives or takes possession of the merchandise. Note: There is no change for over-the-counter sales where customers take home goods from the store location directly.

Examples of Destination Based Sales Tax effective July 1, 2008:

1. A resident of Cheney orders a widget from a hardware store located in Seattle (sales tax rate of 9.0%). The store delivers the widget to the customer in Cheney. Sales tax is based on the customer’s location in Cheney (sales tax rate of 8.6%). Prior to July 1, 2008 the tax rate would have been 9.0%.

2. A Cheney resident purchases a widget in Bellingham (sales tax rate of 8.4%) and requests that the merchant deliver the widget to the customer’s home in Cheney. Sales tax is based on the customer’s location in Cheney (sales tax rate of 8.6%). Prior to July 1, 2008 the tax rate would have been 8.4%.
3. A Spokane resident purchases a computer online from a merchant in Seattle (sales tax rate of 9.0%). The computer is a gift for a student attending college in Spokane. The buyer directs the seller to ship the computer to the student’s address in Spokane. The sale is based on the location of the student in Spokane. The merchant in Seattle should collect sales tax based on the “ship to” address in Spokane (sales tax rate of 8.6%). Prior to July 1, 2008 the sales tax rate would have been 9.0%.

For more information regarding the new destination based sales tax change please navigate to the Washington State Department of Revenue’s website at:

(http://dor.wa.gov/Content/FindTaxesAndRates/RetailSalesTax/DestinationBased/MoreSST.aspx).

Also available is a flyer regarding this destination based sales tax change located at:

http://dor.wa.gov/Docs/Pubs/Misc/Streamline/SSTAtAGlance.pdf

Thank You.