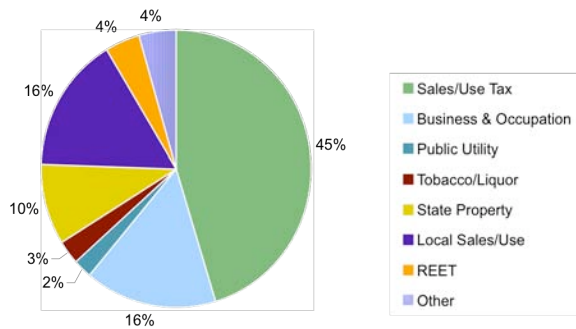


Streamlined Sales Tax Initiative – Taxpayer Centric Education

FTA Annual Meeting
Cindi Holmstrom, Director
Tremaine Smith, Senior Assistant Director, Operations
June 1, 2009

Department of Revenue Data Facts

Total Department of Revenue Collections Fiscal Year 2008



Data Notes: DOR Tax Statistics 2008, Table 4

Analysis

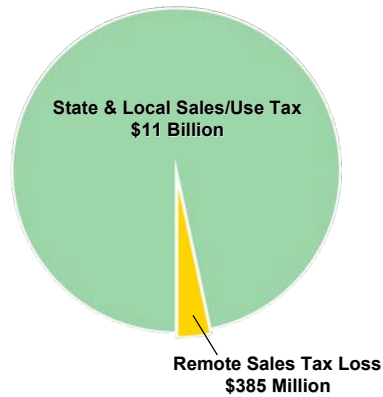
- Department collections for fiscal year 2008 totaled \$18.2 billion.
- Some taxes are actually collected by other agencies, e.g., liquor taxes, state property tax levy and real estate excise tax, although the Department has administrative functions related to these taxes.
- 97.5% of the total tax liability of registered taxpayers comes in on time without any Department intervention. This high rate is achieved through education, outreach and enforcement.

Internet and catalog orders – These remote sales impact our sales tax base



State & Local Sales Tax Collections

Fiscal Year 2008



Data Note: DOR Tax Statistics 2008, Tables 3 & 4

Analysis

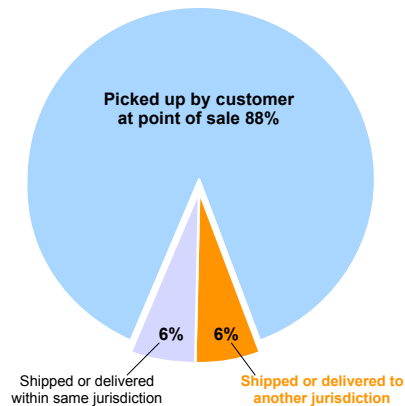
- Remote sales are transactions that occur through any medium other than a retail store front. These include internet, catalog, advertising coupons and phone sales.
- Remote sellers with no physical presence within the state enjoy an *unfair competitive advantage* over in-state businesses (e.g. – customer uses a local in-state store to research a diamond ring, but then buys the ring on the internet to save the sales tax charge).
- Consumers owe tax on remote sales, but it's difficult to collect directly from them (e.g. – customers legally owe use tax on purchases made remotely when sales tax is not collected by the seller).
- State sales/use tax revenues account for 55.4% of General Fund revenues.
- An estimated \$385 in sales tax loss for fiscal year 2008 equates to 3.5% of total sales tax collections.

3

Which in-state Businesses are Impacted by Destination-based Sourcing?



Percent Sales Involving Shipment or Delivery



Data Note: DOR Research Division (2008)

Analysis



- Of the 472,000 active taxpayers with the Department, there are over 200,000 retail businesses registered who collect and remit retail sales tax.
- 40,000 businesses are potentially affected by the change to destination-based sourcing (i.e. – big box home furnishing stores, home improvement businesses, propane and heating oil businesses, etc.).
- Of all retail transactions, approximately 12% are shipped or delivered.
- Of these businesses, this revision only affects sales that are actually shipped by the seller to another jurisdiction (approximately 6%).
- Of the top 250 retailers (accounting for over 50 percent of the sales tax revenues), substantial compliance of 95% correct tax reporting under destination-based sourcing.
- 360 local jurisdictions do not match five digit zip.

4

Our Implementation Strategy



Four-phase Implementation Strategy

PHASE 1 June 2007 - December 2007 Notification/Research	PHASE 2 November 2007 - March 2008 Tool Development	PHASE 3 January 2008 - June 2008 Communication/Education	PHASE 4 July 2008 onward Ongoing communication and assistance/tool refinement
<ul style="list-style-type: none"> Mailed letter to 204,000 retailers and 5,500 tax practitioners Wrote articles and provided flyers for association newsletters and 125,000 city mailings Distributed 600 packets to chambers of commerce Alerted 135,000 businesses through articles in Local Sales and Use Tax flyer mailings Created online tutorial Wrote news releases and Op Ed pieces, met with editorial boards, and spoke on radio shows Gathered feedback at more than 70 statewide workshops and speaking engagements with 1,500 businesses Surveyed more than 1,000 businesses with online survey Held facilitated discussions with 24 retailers Developed web page with links to provide feedback 	<ul style="list-style-type: none"> Created tools ranging from low-tech to high-tech: <ul style="list-style-type: none"> Online tax rate lookup Language source code City and county tax rates in multiple formats Downloadable databases Excel worksheets Customer database conversion service Paper maps 	<ul style="list-style-type: none"> Present information and tools at more than 50 workshops and speaking engagements Answer phone calls and respond to e-mails related to destination-based sales tax (3,000 phone calls and hundreds of e-mails since July 2007) Respond to letter writing requests (300 since July 2007) Meet regularly with business associations Consult individually with businesses to find solutions (24 in person, 86 by phone) Send updates to more than 1,000 stakeholders through Listserve e-mail service Translate multiple documents into Spanish, Chinese, Korean, Tagalog, and Vietnamese Send information with every tax return and e-DCORP Tax Facts newsletter Develop online video workshop Continue media efforts and launch consumer awareness campaign 	<ul style="list-style-type: none"> Continue communication/education efforts Refine tools as businesses put them to use Update tools quarterly as rates change Assist businesses with reporting

Analysis

- We had one year to build the infrastructure, implement, and prepare staff and taxpayers for the change to Destination-based sourcing.
- We developed a four-phase, user-centered strategy to implementation:
 - Phase 1 – Notification and Research
 - Phase 2 – Tool Development
 - Phase 3 – Communication and Education
 - Phase 4 – Ongoing Communication, Assistance, and Tool Refinement

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Our Implementation Strategy – Phase 1



PHASE 1 June 2007 - December 2007 Notification/Research

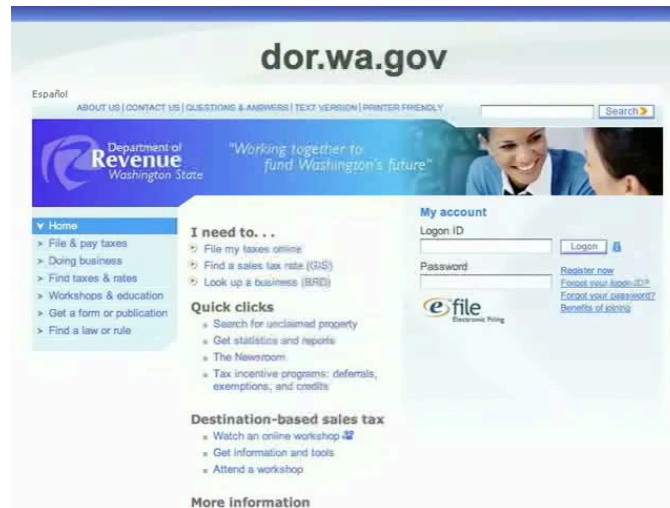
- Mailed letter to 204,000 retailers and 5,500 tax practitioners
- Wrote articles and provided flyers for association newsletters and 125,000 city mailings
- Distributed 600 packets to chambers of commerce
- Alerted 135,000 businesses through articles in Local Sales and Use Tax flyer mailings
- Created online tutorial
- Wrote news releases and Op Ed pieces, met with editorial boards, and spoke on radio shows
- Gathered feedback at more than 70 statewide workshops and speaking engagements with 1,500 businesses
- Surveyed more than 1,000 businesses with online survey
- Held facilitated discussions with 24 retailers
- Developed web page with links to provide feedback

Phase 1 Highlights

- Notification and Research
 - Mailed 204,000 letters to retailers and 5,500 tax practitioners
 - Distributed 600 informational packets to chambers of commerce
 - Gathered feedback from 1,500 businesses through 70 statewide workshops
 - Surveyed over 1,000 businesses with online survey
 - Created online tutorial

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Online Tutorial Video



7

Our Implementation Strategy – Phase 2



PHASE 2 November 2007 - March 2008 Tool Development

- Created tools ranging from low-tech to high-tech:
- Online tax rate lookup
 - Language source code
 - City and county tax rates in multiple formats
 - Downloadable databases
 - Excel worksheet
 - Customer database conversion service
 - Paper maps

Phase 2 Highlights

- Tool Development
 - ✓ Downloadable databases
 - ✓ Online tax rate lookup
 - ✓ Paper Maps
 - ✓ Customer database conversion service
 - ✓ Excel worksheet

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Excel worksheet

Find taxes & rates

- Sales and use tax rates
- Tax incentives
- Business & occupation tax
- **Retail sales tax**
- Use tax
- Property tax
- Other taxes
- Income tax

> Workshops & education

> Get a form or publication

> Find a law or rule

Destination-based sales tax

Online retailers: [Take our survey about shopping carts](#)

Background

- General information
- Questions & answers
- Examples
- Information for florists
- Mitigation for local governments

Tools

- Tax rate lookup
 - Now accessible on handheld devices *NEW!*
- City and county sales and use tax rates
 - Alphabetically (pdf)
 - Cities grouped by county
 - Excel file format (xls)
 - QuickBooks file format (instructions)
- Customer database conversion service
- Excel worksheet
- Downloadable databases
- More information about available tools

Publications

Destination-based Sales Tax at a Glance (pdf)

- English
- Español
- 漢語
- Tiếng Việt
- ខ្មែរ
- Tagalog
- Русский

More destination-based sales tax publications

PHASE 3
January 2008 - June 2008
Communication/Education

- Present information and tools at more than 50 workshops and speaking engagements
- Answer phone calls and respond to e-mails related to destination-based sales tax (3,500 phone calls and hundreds of e-mails since July 2007)
- Respond to letter ruling requests (320 since July 2007)
- Meet regularly with business associations
- Consult individually with businesses to find solutions (24 in-person, 86 by phone)
- Send updates to more than 1,000 stakeholders through Listserv e-mail service
- Translate multiple documents into Spanish, Chinese, Korean, Tagalog, and Vietnamese
- Send information with every tax return and in DOR's Tax Facts newsletter
- Develop online video workshop
- Continue media efforts and launch consumer awareness campaign

Phase 3 Highlights

- Communication and Education
 - ✓ Presented information and tools at over 50 events
 - ✓ Met regularly with business associations
 - ✓ Translated multiple documents into Spanish, Chinese, Korean, Tagalog, and Vietnamese
 - ✓ Developed online video workshop

Our Implementation Strategy – Phase 4



PHASE 4 July 2008 onward Ongoing communication and assistance/tool refinement

- Continue communication/ education efforts
- Refine tools as businesses put them to use
- Update tools quarterly as rates change
- Assist businesses with reporting

Phase 4 Highlights

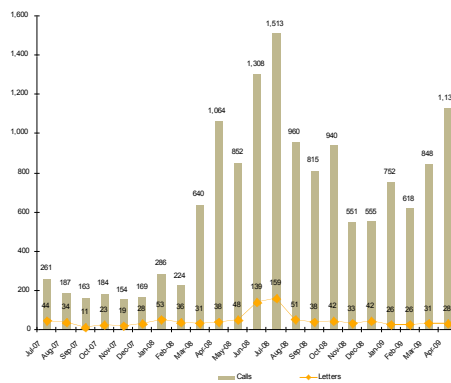
- Ongoing Communication, Assistance, and Tool Refinement
 - ✓ Update tools quarterly as rates change
 - ✓ Assist businesses with reporting
 - ✓ Legislative Updates

11

What is the Impact on Services Caused by Streamlined Sales Tax?



Streamlined Sales Tax Letter Ruling Requests and Phone Calls



Data Note: Taxpayer Services – Letter Ruling Tracking and Telephone Application Performance Report

Analysis

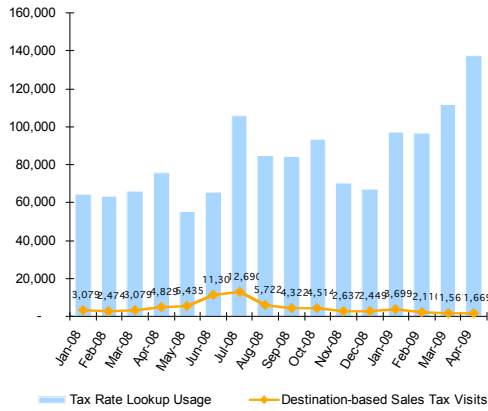
- The Department's Telephone Information Center answered 14,178 phone calls related to streamlined sales tax from July 2007 through April 2009. This represents 3.8% of the 369,751 total phone calls answered.
- The percentage of phone calls related to streamlined sales tax increased from 1.6% in July 2007 to 8.3% in July 2008. Since July 08, the average percentage of phone calls related to streamlined sales tax has been 4.9% of total calls.
- Additionally, the Department responded to 980 requests for binding letter rulings on issues surrounding streamlined sales tax from July 2007 through December 2008. This represents 11% of the 9,110 total letter ruling responses.
- The number of letter rulings related to streamlined sales tax peaked in July 2008 at 159 representing 27.5% of the total letter rulings for the month of July. By April 09, the percentage of streamlined sales tax letter rulings dropped down to 5%.

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What is the Impact on Services Caused by Streamlined Sales Tax?



Web Site Visits and Tax Rate Lookup Tool Usage



Data Note: Taxpayer Services – Omniture Tracking System

Analysis

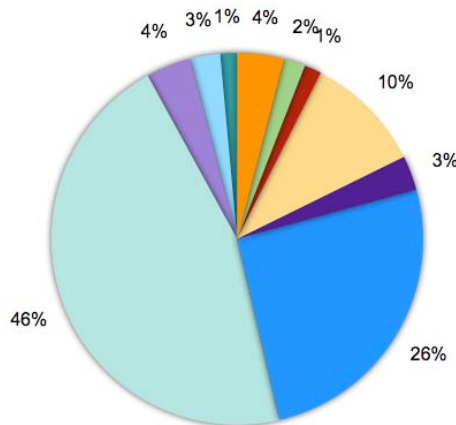
- The Department developed a Destination Based Sales Tax web page providing:
 - General information,
 - Links to tools available to assist businesses in complying with the change,
 - Links to information translated in other languages, and
 - Information on where to get additional assistance.
- Usage of the site started gradually then began to increase in 2008 peaking to nearly 13,000 visits in July 2008. Usage appears to be leveling out at about 1,500 visits per month.
- The number of visits to the Department Tax Rate Lookup Tool increased significantly between July 2007 and April 2009, with an all time record of 137,418 visits in April 2009. This is the most used tool.

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Web Page Visits to Other Tax Rate Tools



Resource Tools



Data Note: Department of Revenue

Tools

- Local Sales & Use Tax Rates and Changes Flyer
- Local Sales & Use Tax Rates by City/County
- Download Sales Tax GIS Data
- Local Sales & Use Tax Rates (Excel File Format)
- Sales Tax Rate Lookup URL Interface
- QuickBooks Quarterly Tax Rate Table
- Sales Tax Rate Library (Source Code)
- Customer Database Conversion Service
- Excel Workbook
- County Maps Order Form

Analysis

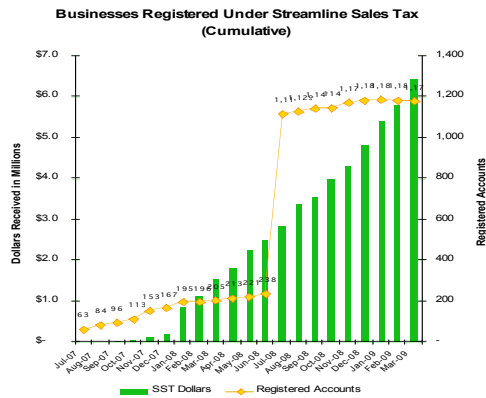
- The resource tools are accessed through our web site. Through April 2009, we have received over 186,000 inquires (hits) to these applications.
- The requests for the Local Sales and Use Tax Rates and Changes Flyer received the most inquires.
- The downloadable database contains the GIS physical location information. This automated tool received the second most inquiries.

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Businesses Registered and Dollars Collected through Streamlined



Revenue Voluntarily Reported and Registered Businesses



Data Note: New Revenue Received Monthly Report

Analysis

- Of the 472,000 active businesses registered with the Department; 1,179 are currently registered through SSUTA. These businesses have reported more than \$6.4 million dollars since Washington became an associate member on July 1, 2007.
- The amount of identifiable voluntary revenues is lower than expected due to the economic slowdown and a sharp slowdown in the growth of online sales.
- Many multi-channel remote sellers have combined their remote sales with in-store entities as a result of the effort of SSUTA.
- Relatively few businesses have taken advantage of the small businesses credit, with only \$89,626 claimed so far against nearly \$11.8 million anticipated.

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Ongoing Challenges



- Available Resources** – Some small businesses lack the staff or resources to efficiently track tax jurisdictions and indicate that the time spent tracking sales by destination greatly exceeds the amount of tax collected.
- Costs to Implement** – Small to medium-sized businesses have expressed concern around the cost of changing business processes and upgrading sales and accounting systems. A \$1,000 tax credit is available, but only for businesses with a Washington gross income less than \$500,000.
- Online Sales** – Smaller online sellers rely on electronic online shopping carts designed for a single tax rate or for 5-digit ZIP codes and cannot match their customers' hundreds of potential tax jurisdictions while processing transactions. The Department is working directly with these online sellers and shopping cart vendors to find interim solutions.
- Mail Order** – Sellers with pre-printed order forms or pricing structures, such as catalog sellers or magazine publishers, face challenges of customizing their sales materials to account for different customers' sales tax rates. The Department is working with these businesses on a case by case basis.

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