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Obligation of marketplace facilitators

Beginning January 1, 2018, marketplace facilitators with a physical presence in Washington or \$10,000 or more in retail sales sourced to Washington, including sales of their own products and sales of products made on behalf of marketplace sellers, **must either**:

1. Collect and pay sales tax on sales to Washington purchases
2. Follow the use tax notice and reporting requirements explained below.

Marketplace facilitators must collect sales tax for marketplace sellers with a physical presence in Washington.

What is a marketplace facilitator?

A marketplace facilitator is a business that does the following three activities (RCW 82.13.010(3)):

1. Facilitates the sale of a marketplace seller's product through a marketplace for payment.
2. Engages, directly or indirectly, in **any** of the following with respect to bringing the buyer and seller together:
 - Transmitting or otherwise communicating the offer or acceptance between the buyer and seller
 - Owning or operating the infrastructure, electronic or physical, or technology that brings buyers and sellers together
 - Providing a virtual currency that buyers can use to purchase products from the seller
 - Software development or research and development activities related to any activities with respect to the seller's products listed below, if such activities are directly related to a marketplace operated by the person or an affiliated person.
3. Does **any** of the following activities with respect to the seller's products:
 - Payment processing services
 - Fulfillment or storage services
 - Listing products for sale
 - Setting prices
 - Branding sales as those of the marketplace facilitator
 - Order taking
 - Advertising or promotion
 - Providing customer service or accepting or assisting with returns or exchanges

What is a marketplace seller?

A marketplace seller is a seller that makes retail sales through any physical or electronic marketplace operated by a marketplace facilitator or directly resulting from a referral by a referrer (</find-taxes-rates/retail-sales-tax/marketplace-fairness-leveling-playing-field/referrers>).

CHOICE #1 – Collecting and remitting sales/use tax

Marketplace facilitators that **do not** have a physical presence in Washington may elect to collect and remit sales tax on sales of their own products made on behalf of remote sellers that do not have a physical presence. However, marketplace facilitators that have a physical presence in Washington must collect and pay sales tax on own sales, and for marketplace sellers with a physical presence.

Remitting collected sales/use tax

Marketplace facilitators that collect sales tax on third-party sales must pay the sales tax directly to the Department of Revenue. They may not give the collected sales tax to their marketplace sellers.

What retail sales and use tax exemptions are available?

Common retail sales and use tax exemptions include:

- Food (<https://dor.wa.gov/find-taxes-rates/tax-incentives/deductions#022>)
- Prescription Drugs (<https://dor.wa.gov/find-taxes-rates/tax-incentives/deductions#021>)
- Sales to Indians or Indian Tribes (<https://dor.wa.gov/find-taxes-rates/tax-incentives/deductions#028>) in their Indian country

See our Retail sales and use tax exemption (</find-taxes-rates/retail-sales-tax/retail-sales-and-use-tax-exemptions>) webpage for a more extensive list of exemptions.

Registering

To register a new tax reporting account in Washington, complete a Business License Application online at bls.dor.wa.gov (<http://bls.dor.wa.gov/>). Be sure to indicate that you are a “Marketplace facilitator” in your business description when completing the application. Once processed, you will receive a Unified Business Identifier (UBI)/Tax Registration Number.

If you need help registering, call Business Licensing Service at 1-800-451-7985.

Marketplace facilitators electing to collect and pay sales/use tax must report all third-party sales separately from their own sales into Washington. Third-party sales must be reported under a separate tax reporting account (branch account) or separate legal entity account. To request a branch account, contact our Business Registration Team at (360) 705-6211.

Reporting

You should report sales/use tax collected on behalf of marketplace sellers using our E-file tax return (<http://dor.wa.gov/content/doingbusiness/myaccount/join/>).

- Report your Washington sales under the retailing B&O tax classification and claim a deduction for "Other" for these sales. The explanation for the "Other" deduction should be "Third-Party Sales." Marketplace facilitators do not owe retailing B&O tax on these sales.
- Report the state portion of the sales tax under the retail sales tax classification and the local portion under the local sales tax classification. The delivery location determines the sales tax rate and four-digit location code used to report local sales. The Department of Revenue has information and tools (</find-taxes-rates/retail-sales-tax/sales-and-use-tax-tools>) to help businesses determine the correct sales tax rate

CHOICE #2 – Use tax notice and reporting requirements (</find-taxes-rates/retail-sales-tax/marketplace-fairness-leveling-playing-field/use-tax-notice-and-reporting-requirements-marketplace-facilitators-and-remote-sellers>)

Questions?

If you have questions regarding your tax reporting requirements, email DORMarketplacefairness@dor.wa.gov (<mailto:DORMarketplacefairness@DOR.WA.GOV>)

More information

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