

WAC 458-20-277 Certified service providers—Compensation. (1)

Introduction. This rule explains compensation paid to certified service providers (CSPs) as defined in RCW 82.58.080. The rule also lists rights and responsibilities applicable to these CSPs when collecting and remitting retail sales and use taxes in Washington. Washington became a full member state on July 1, 2008. See SSB 5089 (chapter 6, Laws of 2007). The websites referenced in this rule are not maintained by Washington or the department of revenue (department). These referenced websites may contain recommendations that require a change to Washington law prior to becoming effective in Washington.

(2) CSP compensation for volunteer sellers.

(a) **What is a CSP?** A CSP is an agent of the seller certified under the SSUTA to perform all of a seller's retail sales and use tax functions, other than the seller's obligation to remit retail sales and use tax on its own purchases. For more information concerning CSP certification or a list of current CSPs, visit the SSUTA website located at: <http://www.streamlinedsalestax.org>.

(b) **What is a volunteer seller?** A volunteer seller is any seller that has selected a CSP, as agent, to perform all of that seller's retail sales and use tax functions, other than the obligation to remit retail sales and use tax on the seller's own purchases and who has voluntarily registered through the SSUTA central registration system (CRS) in accordance with the terms of the CSP contract (CSP contract). The CSP contract is the agreement executed between each CSP and the streamlined sales tax governing board under which CSPs perform services in SSUTA associate and member states.

(c) **What are member states and associate member states?** Member states are those states that have petitioned and been granted full membership under the SSUTA. Associate member states are those states that have petitioned and been designated associate member status under the SSUTA. Washington became an associate member state on July 1, 2007. Washington has been granted full membership status as of July 1, 2008. For a list of the current member and associate member states, visit the SSUTA website at: <http://www.streamlinedsalestax.org>.

(d) **What are monetary allowances?** As a condition of becoming an associate member and member state, Washington has agreed to permit CSPs to act as agents for sellers in collecting and remitting sales and use taxes in Washington. Washington has agreed to provide monetary allowances to CSPs acting as agents for volunteer sellers. A CSP will obtain these monetary allowances by retaining a portion of the Washington retail sales and use tax they collect. However, monetary allowances will not reduce the retail sales and use taxes collected for and remitted to local taxing jurisdictions. The calculation of these monetary allowances is discussed in subsection (3) of this rule.

(e) **What is a certified automated system (CAS)?** A certified automated system is software certified by Washington under the SSUTA: To calculate the sales and use tax imposed by each taxing jurisdiction on a transaction; to determine the amount of tax to remit; and to maintain a record of the transaction.

(3) **How are monetary allowances calculated?** The formula for determining monetary allowances is set forth in the CSP contract. This monetary allowance is the CSP's sole form of compensation with respect to volunteer sellers during the term of the CSP contract and is the same with respect to all CSPs.

This monetary allowance is calculated by using the following formula: (The combined volume of taxes due to all member and associate

member states from a volunteer seller in such capacity) multiplied by (the applicable base rate). Simply stated, the formula is (combined collected taxes) x (base rate). Affiliated volunteer sellers will be treated as a single volunteer seller if they are related persons under 267(b) or 707(b) of the United States Internal Revenue Code. The base rate resets annually. Table A below sets forth the schedule for "combined collected taxes" and the applicable "base rate":

Table A

Combined Collected Taxes:		Base Rate:
\$0.00	- \$250,000	8%
\$250,000.01	- \$1,000,000	7%
\$1,000,000.01	- \$2,500,000	6%
\$2,500,000.01	- \$5,000,000	5%
\$5,000,000.01	- \$10,000,000	4%
\$10,000,000.01	- \$25,000,000	3%
Over \$25,000,000.01		2%

(a) **Can volunteer sellers lose volunteer seller status?** Volunteer seller status ceases when the seller conducts activities in Washington that would require the seller to legally register in Washington as described in the CSP contract.

(b) **Seller statements.** Each volunteer seller must periodically send written statements (statement) to the CSP verifying that the seller continues to qualify as a volunteer seller in Washington. The volunteer seller must send the first statement twenty-four consecutive months from the date on which the CSP began remitting sales and use taxes for the volunteer seller in Washington. Subsequently, volunteer sellers will send a statement every twelve consecutive months thereafter. A CSP may request a statement verifying a seller's volunteer seller status at any time. The CSP must notify the department when a seller loses volunteer seller status and this notification must be sent no later than ten business days after receipt of a seller's statement indicating the seller is no longer a volunteer seller. Notice to the department must be provided consistent with the notice provisions contained in the CSP contract. Entitlement to monetary allowances will be terminated after a seller sends a statement that the seller is no longer a volunteer seller.

(c) **When will monetary allowances terminate?** A CSP is entitled to retain monetary allowances granted prior to receiving a statement indicating that the seller has lost volunteer seller status. However, entitlement to monetary allowances will end on the first day of the month following receipt of such statement. Regardless, a CSP will be entitled to monetary allowances for services performed under this rule with respect to a volunteer seller for a period of twenty-four months (beginning on the date the CSP commenced remitting sales and use taxes for the volunteer seller in Washington and ending twenty-four consecutive months later).

(4) **CSP rights and responsibilities.**

(a) **Responsibility for retail sales and use taxes.** A CSP is liable to the member states and associate member states for the retail sales and use taxes on the sales transactions that it processes.

If the CSP does not remit the collected retail sales and use taxes when due, those taxes are delinquent. Washington may send a notice of delinquency to a CSP for these delinquent taxes. The CSP must then

remit the delinquent taxes within ten business days of that notification. If the CSP does not remit the delinquent taxes within those ten business days, the CSP is not entitled to monetary allowances with respect to the delinquent taxes and is liable for the payment of the taxes along with penalties and interest. However, if the taxes are delinquent because a seller has not remitted part or all of the delinquent taxes to the CSP, the CSP will be given relief if it properly notifies the department. In order to obtain this relief, the CSP must notify the department of the seller's failure to remit the retail sales and use taxes to the CSP within ten business days of the date on which those delinquent taxes should have been remitted to the department. Notice by the CSP under this subsection must be provided consistent with the notice provisions contained in the CSP contract.

(b) **CSP liability relief.** The department is responsible for maintaining the state's taxability matrix.

(i) A CSP is not liable for charging or collecting the incorrect amount of sales or use tax where that error results from reliance on incorrect data provided in the department's taxability matrix, or from tax rates, boundaries, and taxing jurisdiction assignments listed in Washington's rates and boundaries databases.

(ii) Beginning July 1, 2015, if the taxability matrix is amended, sellers and certified service providers are relieved from liability to the state and to local jurisdictions to the extent that the seller or certified service provider relied on the immediately preceding version of the state's taxability matrix. Relief under this subsection (4)(b) of this rule is available until the first day of the calendar month that is at least thirty days after the department submits notice of a change to the state's taxability matrix to the streamlined sales tax governing board.

(iii) To obtain a copy of the taxability matrix, visit the SSUTA website located at: streamlinedsalestax.org. Additionally, CSPs will be held harmless and not liable for sales and use taxes, interest, and penalties on those taxes not collected due to reliance on Washington's certification of the CSP's CAS. Pursuant to RCW 82.58.080, sellers that contract with a CSP are not liable to Washington for sales or use tax due on transactions processed by the certified service provider unless the seller misrepresents the type of items it sells or commits fraud.

(c) **Seller's contract with the CSP.** A CSP must provide the department with a copy of its agreement with contracting sellers if requested.

(d) **Credits or refunds with respect to bad debt.** A CSP may, on the behalf of a seller, claim credits or refunds for sales taxes paid on bad debts. Bad debts have the same meaning provided in 26 U.S.C. Section 166, as amended in 2003. Bad debts do not include expenses incurred in collecting bad debts; repossessed property; and amounts due on property in the possession of the seller until the full purchase price has been paid. See RCW 82.08.037, 82.12.037, and WAC 458-20-196 for more information regarding bad debts.

(e) **Retention of personally identifiable consumer information.** With limited exceptions, CSPs must perform their services without retaining personally identifiable consumer information. A CSP may retain personally identifiable consumer information only as long as it is needed to ensure the validity of tax exemptions or to show the intended use of the goods or services purchased. See RCW 82.32.735 for more information regarding personally identifiable consumer information.

(f) **Filing of tax returns and remittance of retail sales and use taxes.** CSP will file retail sales and use excise tax returns using Washington's electronic filing system (E-file). CSPs will remit retail sales and use taxes due with respect to these returns using ACH Debit, ACH Credit, or the Fedwire Funds Transfer System.

[Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 16-06-040, § 458-20-277, filed 2/24/16, effective 3/26/16. Statutory Authority: RCW 82.32.300, 82.01.060(2), and 82.32.715. WSR 08-01-017, § 458-20-277, filed 12/7/07, effective 1/7/08.]