

# The Back to Business Plan

We'll get Washington back to business by nearly doubling the small service business tax credit while asking larger corporations to pay more of their fair share. With our plan, B&O taxes will be eliminated for an additional 15,000 businesses each year, and more than 70 percent of small businesses will either pay \$0 or a reduced rate in B&O taxes. In addition, the Washington Marketplace Fairness Act will level the playing field for Washington businesses by applying sales and B&O taxes on out-of-state businesses that sell to Washington residents.

## Helps small businesses

The plan to get Washington back to business nearly doubles the current small service business B&O tax credit, eliminating B&O taxes for an additional **15,000 businesses** each year.



## Making ideas affordable

Washington has a long history of entrepreneurs with bold ideas. By nearly doubling the small business tax credit, we are making it easier for people with big ideas to start their businesses and succeed.

## Securing Marketplace Fairness

When out-of-state retailers can sell products online to Washington residents without sales or B&O taxes, it puts our businesses at a disadvantage. Let's take care of our state, collecting taxes on purchases with online retailers.



**Building a Washington that works for everyone.**

# How it works

## Tax Fairness for Main Street & Washington-based Online Retailers

### Washington Marketplace Fairness

“Nexus” in the tax code is the minimum tie linking business activity with the state, giving Washington the connection we need to be able to tax a transaction. In the Internet age, nexus standards put our Washington-based businesses at a competitive disadvantage to out-of-state retailers that sell to Washington residents without collecting sales tax or paying B&O taxes. Amazon collects sales tax from state residents today — Overstock.com, eBay and Etsy do not.

This proposal establishes new standards for nexus for out-of-state retail businesses by using a tiered approach, capturing sales tax and B&O taxes on sales into Washington by out-of-state businesses and particularly online retailers. Those tiers are:

- **Click-through nexus:** out-of-state remote sellers who have agreements with Washington residents who refer potential residents to the remote seller. SHB 1678 also includes this change. Numerous states including New York, California and North Carolina have click-through nexus.
- **Remote sellers’ representative nexus:** out-of-state remote sellers selling through a representative that has physical presence nexus in Washington. Also called “affiliate nexus,” this standard is also already used in numerous other states.
- **Marketplace facilitator nexus:** when the remote seller makes sales into the state through an online marketplace facilitator (for instance, via a platform like eBay or Etsy) that has physical presence nexus in Washington. The Senate Republican operating budget proposal in 2013 included this change, but it was never enacted into law. New York has adopted similar legislation.
- **Credit card/payment facilitator nexus:** where the remote seller has an agreement with a credit card company/payment facilitator that has physical presence nexus in Washington.
- **Economic nexus:** creates nexus for business and occupation tax purposes and retail sales tax purposes on all retail sales attributable to Washington based on income thresholds.

In addition to the increase to state sales and B&O tax revenue, local governments will see substantial additional sales & use tax revenue (\$30 million in the 2015-17 biennium and \$54.7 million in the 2017-19 biennium).

### Increase Small Business Tax Credit & Reinstate B&O Surtax on Services

The 1.5% Service and Other Activities B&O tax rate paid by doctors, lawyers, architects and others was increased by 0.3% during the Great Recession. Reinstating this tax rate will provide more than \$530 million for our schools in the next two years. At the 1.8% rate, the Service B&O tax rate would still remain lower than at various points in recent years. As recently as 1993, the rate was 2.5%.

At the same time, this proposal increases the Small Business B&O Tax Credit for service businesses, eliminating B&O tax for an additional 15,000 businesses each year. Services businesses making up to \$100,000 in taxable income would pay no B&O taxes at all, and those making up to \$200,000 would receive a partial credit. In total, this proposal increases the number of Washington’s business taxpayers who will receive a break on their B&O taxes to more than 70%.