

Senate Bill 6173 Reseller Permit



Department of
Revenue
Washington State



Intent: To improve sales-tax compliance

- Effective January 1, 2010, the Reseller Permit replaces the resale certificate
- Reseller Permits will be issued to businesses that make wholesale purchases or purchases for resale
- Businesses that do not make wholesale purchases will not be entitled to a Reseller Permit
- The permits allow businesses to purchase items or services for resale without paying retail sales tax
- Contractors have additional requirements

How will businesses get their permits?



- Businesses must apply to the Department of Revenue for a Reseller Permit
 - The Department will issue permits to some businesses without an application
 - Contractors must apply
- Letters will be sent to *all* active reporting businesses in September to notify them of the new Reseller Permit program, and if they will be receiving a permit automatically
- Contractors that the Department determines are likely eligible for a permit will receive an application with a September letter
- Businesses that don't automatically receive a permit but believe they should have one may apply to the Department
- The Department plans to issue permits by October

Application Process



- Applications will be available by September
 - Available in paper and an online fill-in form
 - A web application is being developed

- Applications are relatively simple
 - Contractors need to provide information on materials and labor purchased by construction activity type

- The bill provides that the Department has 60 days to rule on the application
 - The Department's goal is to process applications within 10 business days

- Currently conducting usability testing with businesses

Reseller Permit Application Form



Application for a Washington State Reseller Permit **DRAFT** EXC RSP (7/10/09)

Tax Registration Number:

This application must be filled out completely. Incomplete applications may be denied and returned.

Purpose of Application

Check appropriate box: Get a new permit Renew my permit. (Expiration date of current permit): _____

Contact Information

Business Name: _____

E-mail Address: _____ Phone Number: () _____

Business Description

Check the box that describes your primary business activity:

- Retail Wholesale Service & Other Activities
 Manufacturing Construction Contractor Farming

Description of business activity: _____

What types of materials/products will you be purchasing with this permit? _____

Construction Contractors Only

You must provide the amount of all materials and labor purchased during the last 12 months for each activity listed below. New businesses must estimate expected purchases for the 12 month period the permit will be valid. If you report less than 25 percent of material and labor purchased for Retail/Wholesale Construction, you may be denied. If you don't get a permit, you can take a "Tax Paid at Source" deduction or request a refund.

Retail/Wholesale Construction: \$ _____ Public Road Construction: \$ _____

Speculative Building: \$ _____ U.S. Government Contracting: \$ _____

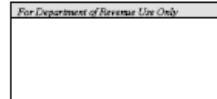
I have a current L&I contractor number. This number is: _____

I certify that this application is accurate and complete. I understand that misuse of a reseller permit subjects the business to a penalty of 50 percent of the tax due, in addition to the tax, interest, and any other penalties imposed.

Name (please print): _____ Title: _____

Signature: _____ Date: _____

Mail or fax completed application to:
Department of Revenue
Taxpayer Account Administration
PO Box 47476
Olympia, WA 98504-7478
Fax: (360) 586-0527



Criteria for Eligible Businesses



- Retailers, Wholesalers, Manufacturers (estimated 226,000)
 - ✓ Active Reporter
 - ✓ Reported business activity within last six months or last annual return
 - ✓ Reported 5% or more retailing, wholesaling, or manufacturing in gross business activity during the last year
 - ✓ No documented misuse of resale certificate
 - = Auto Issued Permit

- Contractors (estimated 41,000)
 - ✓ Active Reporter
 - ✓ Reported business activity within last six months or last annual return
 - ✓ Valid required contractor's licenses
 - ✓ 25% or more of construction activity is in "retail construction"
 - ✓ No documented misuse of resale certificate
 - = Application mailed with eligible letter

How long are the permits valid?



- Permits issued to contractors will be valid for a period of 12 months
- Permits issued to taxpayers (non-contractors) who register with the department on or after January 1, 2009, are valid for two years, but then can be renewed for four years
- All other permits issued, renewed, or reinstated will be valid for four years from the date of issuance

What will the permits look like?

Still finalizing design

- Will be more official-looking than resale certificate
- Will have unique number - Not UBI number
 - ✓ Will be an alpha-numeric number
 - ✓ Limited to nine digits
 - ✓ New number issued at renewal
 - ✓ Will have tear-off for authorized purchasers
- Currently conducting usability testing

Reseller Permit

 STATE OF WASHINGTON	<h2>RESELLER PERMIT</h2> <p>Washington State Department of Revenue PO Box 47476 • Olympia, WA 98504-7476 • 1-800-547-7705</p>
Issued to: 800 800 800 John Doe 1234 Nowhere Rd Anywhere, WA 99999	Permit Number: A14 8694 13 Effective Date: 01-01-2010 Expiration Date: 12-31-2013
Business Activity: Miscellaneous Wholesale	
This permit can be used to purchase: <ul style="list-style-type: none">• Merchandise and inventory for resale without intervening use.• Ingredients, components or chemicals used in processing new articles of tangible personal property produced for sale.• Feed, seed, seedlings, fertilizer, spray materials or livestock for food production by a farmer.	
This permit <u>cannot</u> be used to purchase: <ul style="list-style-type: none">• Items for personal or household use.• Items used in your business that are not resold, such as office supplies and equipment (refer to Purchases for Dual Purposes on back).• Promotional items or gifts.• The rental of tools and equipment.	
The business issued this permit acknowledges: <ul style="list-style-type: none">• It is solely responsible for all purchases made under this permit.• Misuse of the permit:<ul style="list-style-type: none">• Subjects the business to a penalty of 50 percent of the tax due, in addition to the tax, interest, and penalties imposed. (RCW 82.32.291)• Will result in this permit being revoked.	
Authorized representative of the business issued this permit: _____ <small>None print</small>	
Signature of authorized representative: _____	
The business acknowledges that the Department of Revenue may get information from the seller to verify all tax-exempt sales were authorized.	_____ Director, Department of Revenue

Reseller: Keep this original permit on file. Provide copies to sellers where you make purchases.

DETACH THIS SECTION FOR YOUR WALLET

▪ **Ongoing Education & Stakeholder Input**

- ✓ Web site (dor.wa.gov/resellerpermit)
- ✓ *Tax Facts* publication (end of June)
- ✓ Return inserts and My Account alerts
- ✓ Direct mail notices
- ✓ Speaking events and workshops
- ✓ Traditional & new media outreach

(Tacoma) News Tribune, Peninsula Daily News,
(Spokane) Spokesman-Review, Everett Herald,
KOMO, KIRO, KING, Skagit Valley Herald, The
(Vancouver) Columbian, & Bellingham Herald

What to expect between now and January 1, 2010



▪ Ongoing Education & Stakeholder Input

- ✓ Online video tutorial
- ✓ Translated documents
- ✓ Articles in association and business publications
 - AWB newsletter, *Business Examiner*, *Kitsap Business Journal*
- ✓ Stakeholder meetings
 - Business & trade associations (Costco, IBA, AWB, WRA, NFIB, WBMA, WSCPA)
 - Contractors & construction organizations (AGC, BIAW, Master Builders, etc.)
 - Farmers & agricultural businesses associations (Farm Bureau, Capital Press, Grange, etc.)

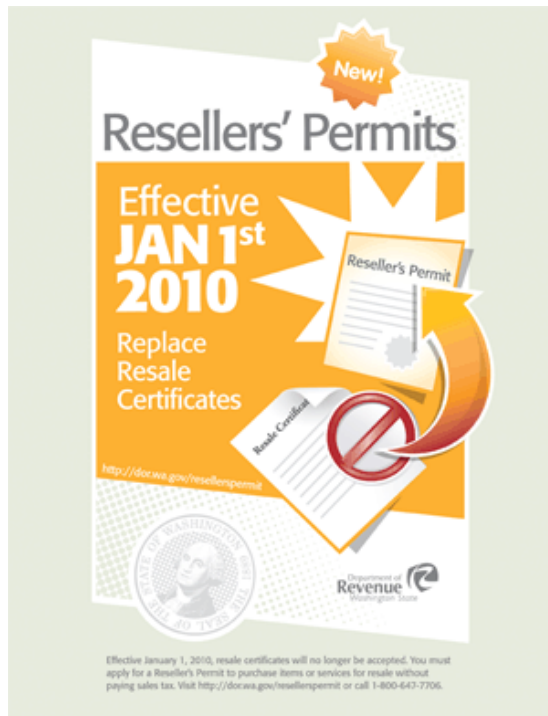
What to expect between now and January 1, 2010



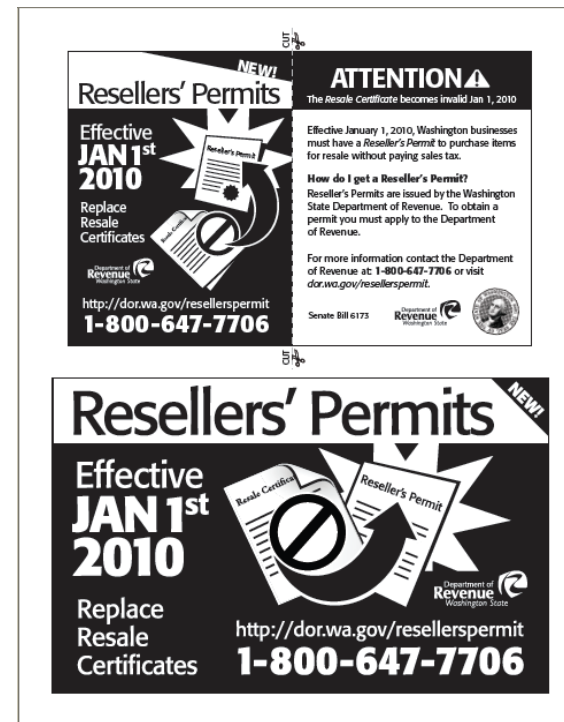
- Direct mailings to taxpayers (September 2009)
 - ✓ Notice to businesses that will get an auto issued permit or application
 - ✓ Notice to businesses that won't get an auto issued permit and may choose to apply
 - ✓ Notice to contractors that will likely be approved for a permit (with the application form)

- Emergency rule in place (September 2009)
- Processing applications and appeals (September forward)
- Begin issuing actual permits (October 2009)
- Online verification application available (January 2010)

Field Office Poster



Retailer Signage



New Reseller Permit replaces Resale Certificates

Effective January 1, 2010, the resale certificate will be replaced with a reseller permit issued by the Department of Revenue, SB 6173 (chapter 563, Laws of 2009). Reseller permits will be issued to businesses that make wholesale purchases, including qualified contractors. The permits allow businesses to purchase items or services for resale in Washington without paying retail sales tax.

The Department will issue reseller permits based on specific criteria currently being developed. In September 2009, businesses will be notified if they are getting a permit. Those receiving permits will get them in the mail in the fall.

Businesses that don't automatically receive a reseller permit may apply directly to the Department. The application will also be available on the web site dor.wa.gov in the fall.

Reseller permits will expire after a certain time period. The length of time a permit is valid depends on when the business registered with the Department. Businesses registered:

- Before January 1, 2009, will get a permit valid for 4 years.
- On or after January 1, 2009, will get a permit valid for 2 years that can be renewed for 4 years.

Special rules apply to the construction industry. Qualifying contractors must reapply every year because reseller permits for the construction industry are only valid for 12 months. Contractors will use a separate reseller permit application that includes detailed information on materials and labor purchased.

Buyers that don't receive Department-issued reseller permits must pay retail sales tax on their purchases. However, if the purchase is a qualifying wholesale transaction, they can take a "Tax Paid at Source" deduction on their tax return to recover the sales tax paid, or request a refund from the Department.

For additional information on this change, see <http://dor.wa.gov/resellerpermit>.

More 2009 Legislative Tax Changes

* Indicates a Special Notice will be issued.

Business & Occupation (B&O), Sales, and Use Taxes

Intrastate commuter aircraft - HB 1287 (chapter 503, Laws of 2009) exempts purchases of commuter air carriers for use in intrastate commerce from sales and use taxes. "Commuter air carriers" are air carriers holding authority under Title 14, part 298 of the federal regulation code, that carry passengers on at least five round trips per week, on at least one route between two or more points. *Effective July 26, 2009.*

Nonprofit legal services for low-income individuals B&O tax exemption - HB 1579 (chapter 508, Laws of 2009) provides a B&O tax exemption for nonprofit organizations that primarily provide legal services to low-income individuals from whom no charge for services is collected. A "nonprofit" means an organization exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the Federal Internal Revenue Code. *Effective July 26, 2009.*

*Newspaper B&O tax reduction - EHB 2122 (chapter 461, Laws of 2009) provides a reduced B&O tax rate of 0.2904 percent (0.002904) for businesses that print newspapers, publish newspapers, or both print and publish newspapers. *Effective July 1, 2009.*

*Sales and use tax exemptions for senior citizens of qualified low-income senior housing facilities - HB 5470 (chapter 483, Laws of 2009) provides a sales/use tax exemption for meals and bundled service packages provided by the lessor or facility operator for residents at least 62 years of age of qualified low-income senior housing facilities. A qualified low-income senior housing facility must:

- Meet the definition of a qualified low-income housing project under Title 26 U.S.C. Sec. 42 of the Federal Internal Revenue Code;
- Be partially funded under Title 42 U.S.C. Sec. 1485 of the Federal Internal Revenue Code; and
- The lessor or operator has at any time been entitled to claim a federal income tax credit under Title 26 U.S.C. Sec. 42 of the Federal Internal Revenue Code.

Effective August 1, 2009.

Resellers' Permits

Effective January 1, 2010, businesses must use a Department of Revenue issued reseller permit when purchasing items for resale. The "reseller permit" replaces the "resale certificate."

Permit Process

We will automatically issue the first round of reseller permits to many businesses based on the business's industry type and reporting history. Those businesses that do not automatically get a permit may apply directly to us.

Some businesses will not be eligible for the permits based on criteria currently under development. A business that does not have a permit and makes purchases for resale, must pay the retail sales tax upfront and then either take a "tax paid at source" deduction against their own reported retail sales or request a refund from us.

Notification

By September 1, 2009, we will notify businesses if they will receive permits to receive them in the mail. The length of time a permit is valid will depend on when a business registered with us.

Businesses registered:

- ▶ before January 1, 2009, will get a permit valid for 4 years
- ▶ on or after January 1, 2009, will get a permit valid for 2 years that can be renewed for 4 years

Construction Industry

Special rules apply to the construction industry. Reseller permit for the construction industry are valid for 12 months. Qualifying construction contractors must reapply each year. Construction contractors must use a separate reseller permit application that requires detailed information about material and labor purchases.

Other Unique Industries

We will work with other industries that currently use resale certificates in their business, and have unique situations that need to be addressed. These include the farming industry, some non-profits, and the telecommunications industry.

Questions

If you have questions about the reseller permit, please call 1-800-647-7706 or go to our web site dor.wa.gov/resellerpermit/.

Reseller Permits
Effective
JAN 1st
2010
Replace
Resale
Certificates

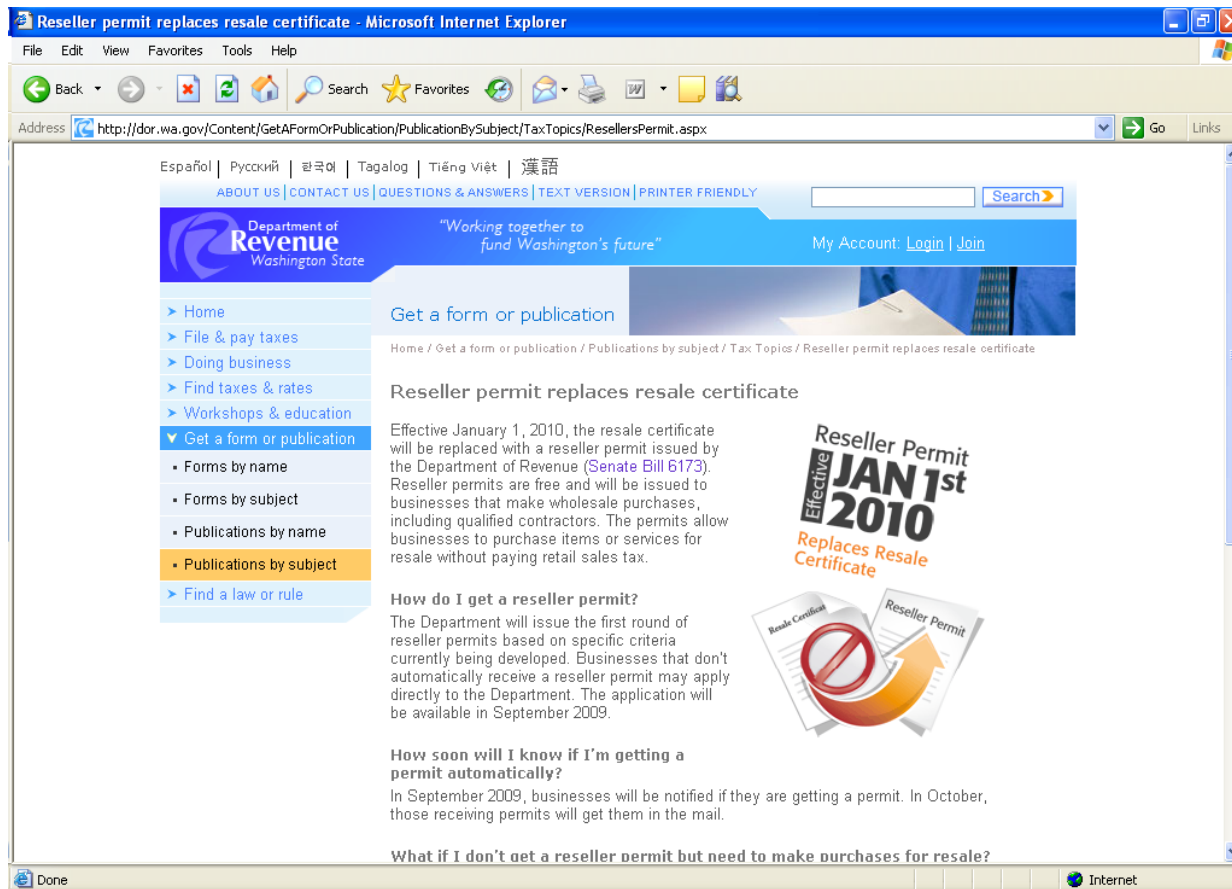


Department of
Revenue
Washington State

Tax Facts – June 2009

Overview Sheet
(translated into 6 languages)

dor.wa.gov/resellerpermit



The screenshot shows a Microsoft Internet Explorer browser window displaying the Washington State Department of Revenue website. The address bar shows the URL: <http://dor.wa.gov/Content/GetAFORMorPublication/PublicationBySubject/TaxTopics/ResellersPermit.aspx>. The page content includes a navigation menu on the left with options like Home, File & pay taxes, and Get a form or publication. The main content area features a heading "Reseller permit replaces resale certificate" and a graphic that says "Reseller Permit Effective JAN 1st 2010 Replaces Resale Certificate". The text explains that effective January 1, 2010, the resale certificate will be replaced by a reseller permit, which is free and issued to businesses that make wholesale purchases. It also provides information on how to get a reseller permit and when to expect notification.

Reseller permit replaces resale certificate - Microsoft Internet Explorer

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Address <http://dor.wa.gov/Content/GetAFORMorPublication/PublicationBySubject/TaxTopics/ResellersPermit.aspx> Go Links

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Reseller permit replaces resale certificate

Effective January 1, 2010, the resale certificate will be replaced with a reseller permit issued by the Department of Revenue ([Senate Bill 6173](#)). Reseller permits are free and will be issued to businesses that make wholesale purchases, including qualified contractors. The permits allow businesses to purchase items or services for resale without paying retail sales tax.


How do I get a reseller permit?

The Department will issue the first round of reseller permits based on specific criteria currently being developed. Businesses that don't automatically receive a reseller permit may apply directly to the Department. The application will be available in September 2009.

How soon will I know if I'm getting a permit automatically?

In September 2009, businesses will be notified if they are getting a permit. In October, those receiving permits will get them in the mail.

What if I don't get a reseller permit but need to make purchases for resale?



Done Internet

Kitsap Peninsula
Business Journal KPBJ.COM

Sellers' permits replace resale certificates to curb abuse

Kitsap Business Journal staff

June 6, 2009



Permit necessary to duck sales tax

New law: Regulation targets exemption for resellers

Joseph Turner

June 8, 2009

Picked up by Associated Press & re-run in Bellingham, Everett, Seattle, Spokane, and Vancouver

BUSINESSExaminer THE SOUTH SOUND BUSINESS INFORMATION RESOURCE

New seller's permits could be issued by October

Business Examiner staff

Jun. 11, 2009

Kitsap Peninsula

Business Journal KPBJ.COM

New Reseller's Permit to replace Resale Certificate

By Christopher Mutchler and Amber Carter

July 2, 2009

- Timeline for initial issuance
- Permit document
- Numbering system
- Criteria for issuance
- Contractor application requirements
- Other items/issues