



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

OCTOBER 14, 2010

New Economic Nexus in Washington State Applies to Securities Brokers/Dealers and Fund Managers

New Legislation

On June 1, 2010, a new law went into effect establishing an economic nexus standard in Washington State. (Second Engrossed Substitute Senate Bill 6143 (2ESSB 6143), Chapter 23 Laws of 2010 (Part I))

Businesses meeting this new standard (described below) are required to obtain a Washington tax registration and begin paying business and occupation (B&O) tax on their income attributable to Washington State.

The new economic nexus standard may be met without a physical presence in Washington.

Economic nexus taxable thresholds

Under this standard, a business receiving fees attributed to Washington has nexus with Washington State if it has at least one of the following in, or attributable to, Washington State in a tax year:

- It is commercially domiciled in Washington;
- It meets one of the following thresholds in Washington (see *Definitions* on back):
 - o Property – average value exceeding \$50,000
 - o Payroll exceeding \$50,000 (including certain third-party costs),
 - o Sales (fees) exceeding \$250,000, or
 - o At least 25% of its worldwide property, payroll, or sales.

See WAC 458-20-19401 for detailed discussion of the new economic nexus thresholds.

Note: To calculate property, payroll, and sales thresholds for the 2010 tax year, the entire 2010 calendar year must be used.

Example: *Taxpayer X is an out-of-state business with no physical presence in Washington. In 2010, Taxpayer X has the following income attributable to Washington:*

\$100,000 in May

\$100,000 in June

\$100,000 in July

Taxpayer X establishes nexus with Washington by exceeding the \$250,000 income threshold, but owes B&O tax only on the Washington income earned after June 1, 2010.

Registering in Washington

Businesses with nexus under the new standard can obtain a Washington tax registration number and begin reporting B&O tax by visiting our website at: dor.wa.gov/EconomicNexus.

P.O. BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [HTTP://DOR.WA.GOV](http://DOR.WA.GOV)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.

“Trailing” nexus	Once nexus has been established, it will continue for every year in which the taxpayer meets any of the thresholds and the following calendar year.
New apportionment methodology	<p>This legislation also provides for a new single-factor apportionment methodology based on sales. The new apportionment calculation is discussed in detail in Department rules and/or other publications that are available on the Department’s website at: dor.wa.gov/EconomicNexus. (WAC 458-20-19402)</p> <p>We advise you to join our email listserv via the website to receive new information as it becomes available.</p>
Definitions	<ul style="list-style-type: none">• Property - real property, personal property, rented property, intangible property, and receivables. It does not include computer software, digital goods, or digital codes. Generally, the average value of property is determined by averaging the value of property on January 1 and on December 31.• Payroll - compensation paid to employees and third-party representatives providing services in Washington.• Sales - interest, fees, gains from trading securities, dividends, commissions, royalties, and other income. Note: Generally, royalty income is attributed to Washington if the intangible is used in Washington. Complete information on sourcing of royalty income is available in WAC 458-20-19403.
For more Information	Visit the Department’s website at dor.wa.gov/EconomicNexus or contact the Department’s Telephone Information Center at 1-800-647-7706.