

Gross Receipts:

Washington DOR Explains Taxation Involving Online Fundraising through Crowdfunding

Publication – Tax Topics: Crowdfunding, Wash. Dept. of Rev. (12/6/23). The Washington Department of Revenue (Department) issued a publication explaining the Washington sales/use and business and occupation (B&O) tax consequences of online fundraising for projects through “crowdfunding” that generally involves a host (*i.e.*, the online platform), the project creator (which can be an individual or business), and backers (which can be individuals or businesses that offer funding to the project creator). In exchange for helping fund a crowdfunding project, backers may receive rewards from the project creators. The Department explains that a project creator generally needs to report the amounts received in the reporting period when the project is fully funded; however, if the project is not fully funded and the host allows the project creator to keep all the amounts received, the receipts become taxable at the time the funds are received by the project creator.

URL: <https://dor.wa.gov/forms-publications/publications-subject/tax-topics/crowdfunding>

According to the guidance, project creators must collect Washington sales tax on the amounts received if they provide retail services (such as meals), digital products or tangible personal property (books, videos, copies of games, etc.) as rewards; however, no sales tax collection is required on items exempt from sales tax (such as prepackaged food items). For such purposes, the Department explains that the minimum funding amount at each level is the taxable value of the item; amounts received beyond the minimum funding amount generally are considered nontaxable donations. Additionally, the Department explains that amounts received for providing tangible personal property, digital products, and retail services in Washington are subject to B&O tax under the retailing classification; and amounts received for providing non-retail services are subject to B&O tax under the service and other activities classification. The guidance includes some example scenarios illustrating the B&O tax consequences of certain crowdfunding activity, and addresses apportionment for multistate businesses. Please contact us with any questions.

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