

State Ruling

## **204-183, Excise Tax Advisory No. 3199.2017-- Business and occupation-- Business and occupation tax constitutional limitations-- Apportionment-- Money transfer services**

¶204-183. Excise Tax Advisory No. 3199.2017, Washington Department of Revenue, March 28, 2017.

**Business and occupation: Business and occupation tax constitutional limitations:**

**Apportionment: Money transfer services.**— As a non-business money transfer service does not relate to real or tangible personal property, is unrelated to the business activities of its customers, and does not require the customer to be physically present, a provider's receipts are attributed to the destination where the funds are sent. Therefore, if a provider charges fees for transferring funds to a location outside of Washington, for business and occupation tax purposes, none of the fees are attributed to Washington.

### **Department of Revenue**

#### **Washington State**

#### **Excise Tax Advisory**

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3199.2017

Issue Date: March 28, 2017

### **Non-Business Money Transfer Services**

#### **Purpose**

This Excise Tax Advisory (ETA) explains how to attribute fees from money transfer services for apportionment purposes. The money transfer services addressed here are those made for non-business reasons, such as for personal, family, or household purposes. For information on how to attribute fees from money transfer services between financial institutions refer to WAC 458-20-19404 *Financial institutions – Income apportionment*. For information on how to attribute fees from money transfer services for business purposes, refer to WAC 458-20-19402(303)(c) *Single factor receipts apportionment – Generally*.

#### **Definition & Description of Service**

**Money Transfer Provider (Provider)** is a person, other than a financial institution, that provides money transfer services.

**Money Transfer Service** means a service where a Provider makes a sender's funds available at a specific physical location. This ETA does not address services where a Provider deposits the sender's funds into an account designated by the sender.

In a typical money transfer service transaction, an individual contracts with a Provider to send funds to a recipient at a separate location. The Provider charges its customer, the sender, a fee for this money transfer service. The Provider then makes the funds available to the designated recipient at a location in a geographic area designated by the sender.

#### **Attribution of Apportionable Income, Generally**

Businesses earning apportionable income that is taxable in both Washington and another state must apportion the income to determine the amount taxable in Washington. <sup>1</sup> For business and occupation (B&O) tax purposes, apportionable income must generally be attributed to the

location(s) where the taxpayer's customer receives the benefit of the taxpayer's service.<sup>2</sup>

WAC 458-20-19402 (Rule 19402) provides detailed rules on how to determine the location where the customer receives the benefit of the taxpayer's service. If a service does not relate to real or tangible personal property and is unrelated to any business activities of its customers, the location where the benefit of the service is received is determined per Rule 19402 as follows:

- (i) If the service requires the customer to be physically present, then the benefit is received where the customer is located when the service is performed.
- (ii) If the service relates to a specific, known location, then the benefit is received at that location.
- (iii) If the service does not require the customer to be physically present and does not relate to any specific, known location, then the benefit of the service is received where the customer resides.<sup>3</sup>

### **Attribution of Receipts from Non-Business Money Transfer Services**

Rule 19402 indicates that a service relates to a specific, known location only if the customer obtains the benefit sought from the service when the service is directed to a particular location.<sup>4</sup> A money transfer service meets this criterion. The Provider's service would be useless to its customer, the sender, if the Provider could not make the funds available at the location specified by the sender. Accordingly, a Provider's receipts from providing this type of service are attributed to the destination where the Provider sends the funds.<sup>5</sup>

If a Provider charges fees for transferring funds from Washington to a location outside of Washington, the Provider's B&O taxable income should be determined by attributing none of the fees to Washington. Conversely, a Provider's fees for transferring funds to a physical location in Washington from outside of the state are attributed to Washington for B&O tax purposes.

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### **Footnotes**

<sup>1</sup>	RCW 82.04.460(1).
<sup>2</sup>	RCW 82.04.462(3)(b)(i).
<sup>3</sup>	Rule 19402(303)(d).
<sup>4</sup>	See Rule 19402(303)(d)(ii), (304)(d) ex. 27, 28.
<sup>5</sup>	See Rule 19402(303)(d)(ii).