



This Week in State Tax (TWIST)

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Washington State: Tax Implications of Selling Self-Published Books through Marketplaces

The Washington State Department of Revenue has recently issued guidance on its website addressing the tax consequences when self-publishing authors use marketplace facilitators for book sales and distribution. While the guidance is specific to sales by self-published authors, it may be applicable to other types of sales. The guidance notes that there are two common methods that marketplaces use to distribute self-published books. In the first, the facilitators sell the author's book under a distribution arrangement whereby the author does not receive an advance and is responsible for preparing the book for sale. The marketplace facilitator typically charges a fee for each book sold. In this instance, the author must report retailing B&O tax on the full selling price of book sales made to Washington consumers and cannot deduct any fees they paid to the marketplace facilitator. For example, if an author sells a book for \$10, and the marketplace facilitator keeps a \$3 service fee, the author must report the \$10 selling price. The guidance notes that some marketplace facilitators call the amount paid to the authors a "royalty payment." In the Department's view, this payment is the author's portion of the book sales and these payments do not qualify for the royalties B&O tax classification. With respect to sales and use tax collection, the author does not need to collect sales tax on sales they made through a marketplace facilitator if they received confirmation from the marketplace that the facilitator will collect sales tax. The author may claim a "Gross Sales Tax Collected by Facilitator" deduction under the retail sales tax classification. If the author does not get confirmation from the facilitator, the author needs to collect and submit retail sales tax on book sales to Washington consumers. In the second type of common distribution method, the author grants the facilitator the right to print and sell the book. In this case, the author pays royalties B&O tax on the gross income received from the facilitator. Please stay tuned to TWIST for more marketplace facilitator guidance.

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