



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

APRIL 1, 2016

## Tire sellers collect new studded tire fee

Starting July 1, 2016, tire sellers must collect a \$5 studded tire fee on the retail sale of each new studded tire for vehicles.

(See Revised Code of Washington [\(RCW\) 46.37.427](#)).

### What tires are subject to this fee?

The studded tire fee is due on all sales of new tires sold on or after July 1, 2016, that contain metal studs and are manufactured for vehicle purposes. The fee does not apply to bicycle tires or retreaded vehicle tires.

### How do sellers collect this fee?

Tire sellers must collect the full \$5 fee on every studded tire sold. A seller retains ten percent of the fee collected (\$.50 for each tire sold).

### How do sellers report the fee?

Sellers report this fee on their excise tax return filed with the Department of Revenue (Department). The amount paid to the Department is calculated by multiplying the number of studded tires sold by the rate of \$4.50. (Example: 23 tires sold x \$4.50)

- **E-filers** – Report the number of new studded tires sold under the *Studded Tire Fee* line in the “Other & Quantity” section on the tax return.
- **Paper filers** – Report the number of new studded tires sold under the *Studded Tire Fee* line in the “V Other Taxes” section on the tax return.

### Collected trust funds

Sellers must hold this fee in trust (less the 10% that the seller retains) until paid to the Department. Any seller who uses the fee for any use other than payment of the fee is guilty of a gross misdemeanor.

### What if a seller doesn't collect or pay the fee?

Sellers, who fail to collect this fee or pay the fee to the Department, even if the failure is

the result of circumstances beyond their control, are personally liable for the amount of the fee.

Sellers who fail or refuse to collect this fee with the intent to gain an advantage or benefit are guilty of a misdemeanor.

### **What if a buyer fails to pay the fee?**

The fee is a debt from the buyer to the seller. Any buyer who refuses to pay the fee is guilty of a misdemeanor.

### **Can a seller refund the fee if a studded tire is returned?**

Yes. If a customer returns a purchased studded tire and the entire selling price is refunded to the customer, this fee is also refundable.

### **Is the ten percent (\$.50) of the fee kept by the seller taxable?**

Yes. A seller must pay service and other activities business and occupation (B&O) tax on the ten percent portion of the fee kept by the seller.

### **Is retail sales tax due on this fee?**

No.

### **If a sale is exempt from retail sales tax, is the studded tire fee still due?**

Retail sales tax exemptions do not apply to this fee. Buyers must pay this fee on all retail sales of studded tires unless a specific exemption applies to the fee.

Below is a list of the most common retail sales tax exemptions where this fee would still be due on the sale of studded tires:

- Qualified nonresidents with delivery in Washington.
- Manufacturers' machinery and equipment.
- Interstate Commerce Commission (ICC) or Motor Carrier (MC) permit holders.
- Repair and replacement parts for farm machinery and equipment.

However, the following studded tire sales are specifically exempt from this fee:

- Sales directly to the federal government (See Washington Administrative Code ([WAC](#)) [458-20-190](#)).

- Sales to enrolled tribal members or tribes with delivery in their “Indian country.” ([WAC 458-20-192](#)).
- Interstate and foreign sales – Tires must be shipped and delivered outside Washington ([WAC 458-20-193](#)).
- Wholesale sales – This fee only applies to retail sales of studded tires. A purchaser should provide a reseller permit to the seller.

## **\$1 tire fee**

The \$5 studded tire fee is separate and in addition to the \$1 tire fee on the sale of new tires ([RCW 70.95.510](#)). Tire sellers must collect both the \$1 tire fee and \$5 studded tire fee on sales of new studded tires.

For information on the \$1 tire fee, see [WAC 458-20-272](#) and our [Special Notice: Tire Fee on New Replacement Vehicle Tires](#).

## **Questions?**

Call our Telephone Information Center at 360-705-6705.