

TaxFacts



Need help in completing your excise tax return? We're here for you.

Internet/Electronic services

<http://dor.wa.gov>

Our web site can save you time in completing and filing your excise tax return. Select "Annual Filers" under "Quick Clicks" to find all the resources you need at your fingertips. You can also update or change your account information, or close your account online. Simply click on the "Doing Business" tab, then select "Your Account" from the menu on the left.

Automated telephone services

Our toll free automated services allow you to:

- Access forms and information
- Change address information
- Close your business account
- Make other changes to your account

Simply call **1-800-647-7706**, and select from the many available options.

Telephone Information Center

1-800-647-7706

Call us for personal assistance from 8 am to 5 pm, Monday through Friday. In January our phone lines become very busy. To avoid long waits:

- Call early in the month, before January 13. Have your UBI/tax registration number and tax return available. This nine-digit number is printed on your tax return, above the name and address label.
- Know the type of tax return you've received—Combined Excise Tax Return, Sales Tax Remittance Return, Business and Occupation Activities Tax Return, or Retailing and Other Activities Tax Return.
- Have your gross income figures (not including any sales tax collected) available to complete the return.
- Stay on the line and be patient—we answer every call in the order received.

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MANY HAPPY RETURNS

Don't dread another filing deadline

Discover the freedom of electronic filing. E-file is fast, secure, and simple to use. We've even added new online features and information to help you out. Over 100,000 businesses E-filed last year. Check it out at <http://dor.wa.gov>.

Get connected



Need help? 1-877-345-3353

Tax Return Tips

Note: You must file a tax return, even if you had no business activity or don't owe any tax.

E-file is the easy way

- Filing your return is fast, simple, and accurate. See below for details.

Hints for completing your return

- If you can't E-file, use the tax return form we mailed to you. And please use black ink when completing the paper return—the numbers are easier to read.
- Mail your completed Annual 2005 return so the envelope is postmarked no later than January 31, 2006.
- You can also hand deliver returns to any of our 12 offices on or before the due date. For an office directory, go to our web site, click on "Contact Us" then "Local Offices." By telephone, call 1-800-647-7706.

Keep up with recent tax changes

- Read the Annual 2005 Legislative Changes Sheet included with your return to determine whether your tax reporting is impacted by 2005 legislation.

If you had no business activity or owe no taxes

- File electronically—see below for details.
- Tele-file a "no business" return using our automated telephone service at 1-800-647-7706.
- File a "no business" paper return by checking the "no business activity" box on the front of the return.

Tax return reporting instructions

- Reporting instructions are mailed with your return.

Local sales/use tax changes

- For local rates and codes, see the Local Sales and Use Tax Rate and Changes Annual Summary included with your tax return. It is also available on our web site under "Forms," then "Excise Tax Returns and Information."
- Confirm the correct location code and tax rates before completing your tax return by using our GIS system, available by clicking on the GIS icon on our home page.

Small business B&O Tax Credit

- Don't forget to take the Small Business B&O Tax Credit if the amount of B&O tax you owe for the entire year is less than \$840. Instructions and a chart to calculate your credit are included with the tax return.

Calculate the litter tax

- Retailers, wholesalers, and manufacturers of certain products owe litter tax on their gross sales of such products. For more details, see WAC 458-20-243. Access the WAC from our home page by clicking on "Laws and Rules," then "Complete list of Excise Tax WACs" under "Rules Index (WAC)" or call to request a copy.
- Need help determining whether you owe litter tax? Call our Telephone Information Center at 1-800-647-7706.

Finishing up

- Sign the return, date it, and include a daytime phone number, including area code.
- Keep a copy (either photocopy or worksheet) of the tax return for your records before mailing the return.
- Use the self-addressed envelope provided when mailing back the tax return.

Special Notices

The following Special Notices were issued in the last six months

These notices discuss current issues as well as changes resulting from new legislation. They are available online by visiting <http://dor.wa.gov> and clicking on "Special Notices" under Quick Clicks. You may also call 1-800-647-7706.

Buyers or Processors of Cedar or Specialty Wood Products – Registration Requirements – issued June 10, 2005.

Clarification for Certain Beef Processors Impacted by the Ban on American Beef Products – issued June 8, 2005.

Commute Trip Reduction Credit Program – 2005 Updates – issued June 20, 2005.

Direct Mail – Tax Deduction and Exemptions – issued June 15, 2005.

Extended Warranties now Subject to Sales Tax – issued June 17, 2005.

Fish Tax Extended to Sea Urchins and Sea Cucumbers – issued June 8, 2005.

Fruit and Vegetable Processors Tax Exemption – issued June 13, 2005.

Gambling Business and Occupation Tax – issued June 10, 2005.

High Technology Business and Occupation Tax Credit Changes – issued June 21, 2005.

Litter Tax Exemptions for Prepared Food and Beverages – issued June 16, 2005.

No Sales Tax Due on Purchases Made With American Red Cross Cash Assistance Cards or FEMA Debit Cards Issued to Hurricane Victims – issued September 22, 2005.

Nonprofit Boarding Homes – issued June 7, 2005.

Nursing Facility Quality Maintenance Fee Rate Reduced – issued June 1, 2005.

Parking and Business Improvement Areas – issued June 7, 2005.

Processing Perishable Meat Products – issued June 7, 2005.

Renewable Energy Industry Tax Incentives – issued June 21, 2005.

Self-service Laundry Facilities – issued June 8, 2005.

Tax Incentives for the Production of Solar, Methane, and Wind Power – issued June 16, 2005.

Tax Incentives to Reduce Agricultural Burning to Change – issued June 29, 2005.

Tire Fee Reimposed on New Replacement Vehicle Tires – issued June 15, 2005.

Questions and Answers

Q I understand that, as of July 1, 2005, sales tax must be charged on sales of extended warranties in Washington. Does sales tax also apply to extended warranty sales to the federal government, Native Americans, and nonresidents?

A **Federal government sales:** Sales of extended warranties to federal government agencies are not subject to sales tax.

Native American/Indian sales: Extended warranty sales to Native Americans are subject to sales tax unless delivery of the agreement occurs in Indian Country. To qualify for the exemption for "on reservation" sales to Indians, the Indian buyer must take delivery of the extended warranty on the reservation of which he/she is an enrolled member.

Nonresident sales: An extended warranty sale occurs and is taxed based on where the extended warranty is received by the purchaser. Generally, a nonresident takes delivery of the extended warranty at the seller's location. If the seller is located in Washington, sales tax is due on the extended warranty sale—even if the item subject to the extended warranty is exempt from sales tax.

When a nonresident takes delivery of an extended warranty at a point outside of Washington, sales tax does not apply. For example, the extended warranty is delivered by the seller to the buyer outside of Washington.

For additional information, see our Special Notice "Extended Warranties Now Subject to Sales Tax" and Emergency Rule WAC 458-20-257.

Lower B&O tax rate for manufacturers of commercial airplanes and component parts

On October 1, 2005, the B&O tax rate for manufacturers of commercial airplanes and manufacturers of components of commercial airplanes decreased by 12.5 percent to .004235 from .00484. The reduction is part of a bill enacted by the 2003 Legislature to encourage manufacturing of airplanes and their component parts in Washington.

The lower rate will remain in effect until July 1, 2007, or when final assembly of a superefficient airplane has begun, whichever is later. Then the rate will be reduced to .002904 (representing a total 40 percent reduction in the rate). The reduced rate will remain in effect until June 30, 2024.

The lower B&O tax rate applies to the:

- manufacturing activity; and
- subsequent wholesale or retail sale of the manufactured product by the manufacturer.

To take advantage of the new tax classifications and rates, qualified businesses are encouraged to file through our electronic filing (E-file) system.

Did you know...

Property owners who rent out their homes for periods of less than 30 days (“transient rentals”) may be required by law to collect and remit retail sales tax, and possibly other lodging taxes. For detailed information on the transient rental business, see our Personal Home Rentals fact sheet on our web site. Click on the “Taxes” tab, then select “Industry Specific” from the menu on the left.

Commercial revitalization tax credits

The 2005 Legislature established a new community revitalization program providing B&O and public utility tax credits for businesses that make qualified contributions to revitalization programs designated by the Department of Community, Trade, and Economic Development (CTED) or CTED’s own revitalization program. For more information on this program, see our home page under “Tax Topics” or visit CTED’s downtown revitalization web site at www.downtown.wa.gov. The program begins in January 2006.

Use tax on artwork and collectibles

If you purchased artwork, collectibles, and other items without paying sales tax you may owe use tax.

Washington’s use tax is a tax on the use of goods and certain services purchased or acquired when retail sales tax has not been paid (for example via the Internet, mail order, import). Items used in Washington, including artwork, antiques, collectibles, jewelry, and other goods, are subject to either the sales tax or use tax, but not both.

A credit is available for taxes due and paid to other states, local governments, or countries. Canada’s Goods and Services Tax (GST) may not be credited against Washington use tax, since it is not a sales or use tax. There are also some limited exemptions.

For more information on use tax, select the “Taxes” tab from our web site and click on “Use” under the Taxes menu on the left. You may also call our Telephone Information Center at 1-800-647-7706 for more information.

Commute trip reduction credit program updates

Effective July 1, 2005, employers or property managers who provide commute trip reduction incentives to or on behalf of their own or other employees must complete an application to be eligible for a tax credit. We must receive the application between January 1 and January 31, following the calendar year in which the applicant made commute trip reduction incentive payments. Applications received after January 31 will be disapproved.

For complete information on updates to the Commute Trip Reduction Credit Program, see our Special Notice “Commute Trip Reduction Credit Program 2005 Updates,” dated June 20, 2005.

Successorship Notice form now available

Washington law provides that successors may be held liable for unpaid taxes of the business that they succeeded. You may be a successor if:

- You acquire more than 50 percent of the fair market value of tangible (excluding real property) or intangible assets of the predecessor business in bulk and not in the ordinary course of business;
- You are a surviving corporation of a statutory merger; or
- You are obligated to fulfill terms of a contract as a surety or guarantor of a defaulting contractor (in which case you are a successor only to the tax liability arising out of that contract).

A successor cannot be held liable for any tax due from the predecessor business if the successor provides written notice to the Department of the acquisition and we do not issue an assessment within six months of when we receive the notice and mail a copy of tax due notice to the successor. (RCW 82.32.140)

We recently developed a Successorship Notice form to assist successor businesses in providing the necessary data. To obtain a copy from our web site, select the “Forms” tab, click on “Alphabetical” under the Forms menu, then click on the letter “S.” For more information on successorship, see WAC 458-20-216.

Exemptions from the new tire fee

Retailers who sell new replacement vehicle tires must collect a \$1 per tire fee, effective July 1, 2005. However, the tire fee does not apply to:

- Sales to the federal government
- Sales to Indians, where the tires are delivered to the enrolled member’s reservation
- Sales of re-treaded vehicle tires
- Tires provided free of charge under the terms of a recall or warranty service work

For additional information on the application of the fee and instructions to affected retailers, see WAC 458-20-272.

Recent court decisions

Two recent court rulings upheld the Department of Revenue on the following issues:

- The Washington Supreme Court affirmed the Department's rule making authority in a decision filed September 22, 2005. The justices unanimously rejected the Association of Washington Business challenge to the Department's ability to adopt interpretive rules. (Assn. of Washington Business v. Dept. of Revenue, No. 75623-6)
- The Washington Court of Appeals affirmed the Superior Court and filed a published opinion regarding sales tax applications to hotel furnishing and amenity purchases. The Court held that rather than selling these items separately, the Mayflower Park Hotel incorporates the costs of such items into their room rates. The hotel (or The Mayflower Park Hotel) puts such items to intervening use when it provides them in hotel rooms for guests. The ruling affirmed the Department's tax treatment of such items. (Mayflower Park Hotel, Inc., No. 30213-6-II, 123 Wash. App. 628, 98 P.3d 534)

Leasehold excise tax

Persons or businesses leasing or occupying publicly-owned property are subject to leasehold excise tax. This tax applies instead of county property tax. "Publicly-owned real or personal property" means property owned by the federal government, state of Washington, counties, school districts, or other municipal corporations.

The amount subject to leasehold excise tax is generally the amount of rent paid to the public entity for use of the property. Certain leasehold improvements and expenses paid by the lessee are also taxable.

Lessors usually collect the tax from lessees and pay it to the Department of Revenue. However, lessees of federal land must report leasehold excise tax directly to the Department by completing the Annual Leasehold Excise Tax Return Federal Permit or Lease form.

For more information on leasehold excise tax, under the "Taxes" tab select "Other," then click on "Leasehold."

Anticipated changes for apportioning income

We are in the process of amending WAC 458-20-194, regarding the apportionment of income. At the time of printing, the department anticipates a January 1, 2006 effective date. If the rule applies to your business, please contact our Telephone Information Center at 1-800-647-7706 for updated information.

Notice to auto repair facilities

Under Washington's Auto Repair Law, Chapter 46.71 RCW, customers are entitled to:

1. A written estimate for repairs that exceed \$100, unless waived or absent face-to-face contact (see item 4).
2. Return or inspection of all replaced parts, if requested at the time repair is authorized.
3. Authorize orally or in writing any repairs exceeding the estimated total pre-sales tax cost by more than 10 percent.
4. Authorize any repairs orally or in writing if the customer's vehicle is left with the facility without face-to-face contact between the customer and the repair facility personnel.
5. An invoice copy clearly and accurately listing all work performed and parts supplied.

Repair facilities that don't comply with these requirements can't file a possessory or chattel lien for unauthorized parts or labor on the motor vehicle or component. For more information or to obtain a repair notice sign to post at your place of business, call us at 1-800-647-7706.

New Telephone Information Center Hours

Monday - Friday 8 am - 5 pm

(except Wednesday we open at 9 am)

Rule Making

The following excise tax rules were adopted, amended, or repealed during the second half of 2005. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov>. Click on "Laws and Rules," then one of the bullets under "Rule Making." You may also call our Telephone Information Center at 1-800-647-7706 for more information.

Excise tax rule (WAC) adopted or amended:

- 458-20-100 Appeals. Effective November 1, 2005.
- 458-20-141 Duplicating activities and mailing bureaus. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-144 Printing industry. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-165 Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services. Effective October 27, 2005.
- 458-20-166 Hotels, motels, boarding houses, rooming houses, resorts, summer camps, trailer camps, etc. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-168 Hospitals, nursing homes, boarding homes, adult family homes, and similar healthcare facilities. Effective July 31, 2005.
- 458-20-177 Sales of motor vehicles, campers, and trailers to nonresident consumers. Effective July 31, 2005.
- 458-20-17803 Use tax on promotional material. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-185 Tax on tobacco products. Emergency rule effective October 1, 2005.
- 458-20-186 Tax on cigarettes. Emergency rule effective October 1, 2005.
- 458-20-210 Sales of tangible personal property for farming – Sales of agricultural products by farmers. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-216 Successors, quitting business. Effective July 31, 2005.
- 458-20-228 Returns, payments, penalties, extensions, interest, stay of collection. Effective December 2, 2005.
- 458-20-250 Refuse – Solid waste collection – Core deposits and credits and battery core charges. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-257 Warranties and maintenance agreements. Second emergency rule effective October 20, 2005.
- 458-20-270 Telephone program excise tax rates. Effective September 26, 2005.
- 458-20-271 Tax incentives to reduce agricultural burning. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.
- 458-20-272 Tire fee. Emergency rule effective July 1, 2005. Second emergency rule effective October 28, 2005.

Property tax rule (WAC) adopted or amended:

- 458-12-342 New construction – Assessment. Effective July 31, 2005.
- 458-16-1000 Property belonging to federally recognized Indian tribes - Definitions - Exemption - Declaration process - Appeal rights. Effective September 25, 2005.
- 458-18-220 Refunds - Rate of Interest. Effective December 2, 2005.

Changes to interpretive/policy statements

We issue interpretive and policy statements, such as Excise Tax Advisories (ETA), Property Tax Advisories (PTA), and Internal Audit Guidelines (IAG) to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories (ETA) adopted:

- 2002.16.179 Low density light and power utility deduction. Seventh revision effective June 21, 2005.
- 2003-65 Cancellation of excise tax advisories. Effective July 18, 2005.
- 2011-35.32 Withdrawal of published determination. Effective September 19, 2005.
- 2012.08.257 Distinguishing warranties and maintenance agreements. First revision effective June 24, 2005.
- 2024.04.182 Storing, inspecting, testing, and labeling canned salmon. Effective September 12, 2005.
- 2025.08.229 Refunds of over collected retail sales tax. Effective June 30, 2005.
- 2026.04.08 Taxability of credit bureaus. Effective June 30, 2005.
- 2027.08.18801 Taxability of reagents and other diagnostic substances. Effective June 30, 2005.

Property tax advisories (PTA) cancelled:

- 3.0.2000 Implementation of the agricultural burning legislation, Engrossed second Substitute House Bill 1987. Cancelled July 29, 2005.

Internal audit guidelines (IAG) cancelled (all effective June 30, 2005):

- 02.01 Refund of retail sales tax
- 03.01 Taxability of credit bureau services
- 05.03 Taxability of reagents, controls, and calibrators

Free Workshops

Tax Workshops

Check out our web site!

Our tax specialists conduct free workshops year-round throughout the state to help new and small businesses understand how to report their state taxes. We also provide workshops covering more detailed tax issues, changes to rules and regulations, incentives, and other topics of interest to specific industries such as restaurants, lodging, construction, and other business segments. Workshops are a great opportunity to ask questions of our staff, and network with other businesses in your community or industry!

Complete workshop schedules, information, and registration are online at <http://dor.wa.gov>. Click on the "Doing Business" tab and select "Workshops" from the left menu.

Construction workshops

This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, and public road construction.

2/16/06 Everett 10 a.m. - 12 p.m.; 2 p.m. - 4 p.m.
Everett Events Center Conference Room 2
200 Hewitt Avenue
—to register, call 1-800-647-7706

Business outreach workshops

Attend a Business Outreach workshop to learn the basics of Washington State taxes. This free workshop will help you understand your tax reporting responsibilities.

Tax reporting classifications, deductions, sales tax collection, and recordkeeping requirements will be discussed. You'll also have the opportunity to ask questions regarding taxes that apply specifically to your business.

On the Web

Are you looking for something online?

You might miss it at first, but the "Search" located in the upper right corner of all of our Internet pages is a powerful tool (powered by Google). Simply type in the subject, form, tax type, or topic you want to find and click the "Search" button. In a matter of seconds, the search tool locates articles, forms, brochures, etc., on our web site that contain the word. The search results are displayed, including the title of the document, a short excerpt from the text, and a direct link to the document.

Easy, quick, and accurate results at your fingertips . . . give Search a try!

Online videos are here!

You can watch videos about some of our most popular Online Services – BillPay, E-file, Secure Messaging, and Use Tax, as well as an online workshop on the Lodging Industry. You can also see a step-by-step video guide on how to fill out a Small Harvester Forest Tax Return.

All videos are easy to view with any computer and connection speed. To view, go to <http://dor.wa.gov>, click on the "Online Services" tab, and select the video you'd like to see. The Forest Tax video can be found by clicking on "Timber" under the "Taxes" tab.

Stay tuned for more streaming video developments, including online tutorials and other business workshops.

Call our Telephone Information Center
1-800-647-7706

Visit our web site

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