

# Tax Facts

Information for Washington State's Business Community

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## Do You Lease Public Property?

Persons or businesses that lease or occupy publicly owned real or personal property are subject to leasehold excise tax. The tax applies in lieu of county property tax. Public property is property owned by the federal government, state of Washington, counties, school districts and other municipal corporations.

The amount subject to tax is generally the amount of rent paid to the lessor. Also included in the taxable amount are certain expenses and improvements.

Generally, the tax is collected by the public entity leasing property to private lessees, however, lessees of federal property must report directly to the Department of Revenue. For more information regarding leasehold excise tax, contact Kathy Forsberg at (360) 586-5190. ▲

## Electronic Filers Can Now Pay by Check in Addition to Electronic Funds Transfer

Taxpayers who chose to file electronically now have the option of paying by check or Electronic Funds Transfer. We created the pay-by-check option in response to taxpayers' interest in alternative payment methods.

No waiting is involved — everything you need to file electronically and pay-by-check is included with your next Combined Excise Tax Return. A pre-assigned access code on your printed tax return enables you to access the Department's



*... everything you need to file electronically and pay-by-check is included with your next tax return.*

Electronic Filing system (ELF). Once you've completed your tax return online, you simply indicate the amount due on the paper tax return and mail it with your check. Complete instructions on using this free service are included in your tax return packet.

This new option enables those businesses that prefer to mail their payments the old-fashioned way to take advantage of the sophisticated error-checking features of ELF. For those businesses, pay-by-check is really the best of both worlds. Bear in mind, however, that businesses that are required to pay their taxes by electronic funds transfer must continue to remit taxes that way. Electronic Filing is not available to all taxpayers yet, although we are working hard to expand the list of qualified industries. In the meantime, please check to see if you qualify.

We encourage you to try Electronic Filing when you file your next tax return. It's swift and secure, and it just might help you avoid making a mistake. To learn more about Electronic Filing, including whether your business is among those industries that currently qualify, please refer to information enclosed with your tax return, check online at <http://dor.wa.gov/elf/elfcontent.htm>, or call 1-800-647-7706. ▲

# Q&A

The following represent some of the most common

questions received by the Department of Revenue.

## Q. Are telephone calling cards subject to retail sales tax?

**A.** The answer is yes. Sales of telephone calling cards are retail sales, subject to retail sales tax. The card represents a sale of telephone services. Sales of network telephone services are specifically defined as retail sales in RCW 82.04.050(5).

Charges for telephone calls which originate and terminate outside Washington are nontaxable interstate sales. However, at the time of sale, persons selling telephone cards, have no way of knowing where the calls will originate or terminate. Therefore, sales tax applies to all cards purchased in Washington, even if the card will be used outside the state.

In addition to collecting sales tax, persons selling telephone cards must report gross sales under the retailing B&O tax classification.

For more information regarding telephone cards, refer to Excise Tax Advisory (ETA) 567.08.245.

## Q. Does retail sales tax apply to charges for shipping and handling?

**A.** Shipping, handling, freight, postage, C.O.D., and delivery costs charged to the buyer are generally part of the selling price. Thus, such charges are taxed in the same manner as the product itself, even if the charges are billed separately or the seller is also the carrier. In other words, if the product sold is subject to retail sales tax, the associated delivery costs are also subject to sales tax. The sales tax does not apply when the product is not taxable.

*continued on page 3. . .*

## About the IRS . . .

If you need federal income tax information or forms, please contact the Internal Revenue Service at one of the following numbers:

Federal tax information	1-800-829-1040
IRS federal tax forms only	1-800-829-3676
Tele-tax recorded tax information and automated refund information	1-800-829-4477
TTY only (hearing & speech impaired)	1-800-829-4059
IRS Internet home page	<a href="http://www.irs.ustreas.gov/">http://www.irs.ustreas.gov/</a> ▲

## New Business Outreach Workshops

**A**t a free New Business Outreach workshop, you'll learn about the taxes that affect your business, how to meet record-keeping requirements, and how to properly complete the Combined Excise Tax Return. You'll also receive a free informational workbook.

Register online at <http://dor.wa.gov/menu/services/workshops.htm> or call your local Revenue office. For information on future workshops, refer to the web site or call the Telephone Information Center.

New Business Outreach Schedule			
Date	Location	Address	Time
3/7/01	Bremerton 360/478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
3/13/01	Bellingham 360/676-2068	Dept. of Social and Health Services/ Labor & Industries Building, 1720 Ellis Street, Conference Room A	1:00-4:00
3/14/01	Olympia 360/753-1551	Dept. of Revenue Target Place Complex 2735 Harrison Ave NW	9:00-12:00
3/14/01	Tacoma 253/593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:00
3/15/01	Renton 425/277-7300	Fairwood Library 17009 140 <sup>th</sup> SE	1:00-4:00
3/20/01	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmont Ave, East	1:30-4:00
3/21/01	Vancouver 360/260-6176	DOR Training Room 8008 NE Fourth Plain Blvd, Ste 340	1:00-4:00
3/21/01	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg., 4407 N. Division, Spokane	8:30-11:30; 1:30-4:30
4/4/01	Seattle 206/956-3002	Dept. of Revenue 2101 4 <sup>th</sup> Ave, Suite 1400	1:00-4:00
4/4/01	Bremerton 360/478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
4/10/01	Bellingham 360/676-2068	Dept. of Social and Health Services/ Labor & Industries Building, 1720 Ellis Street, Conference Room A	1:00-4:00
4/11/01	Tacoma 253/593-2722	Lakewood Library 6300 Wildaire Road SW, Lakewood	1:00-4:00
4/18/01	Vancouver 360/260-6176	DOR Training Room 8008 NE Fourth Plain Blvd, Ste 340	1:00-4:00
4/18/01	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg., 4407 N. Division, Spokane	8:30-11:30; 1:30-4:30
4/19/01	Bellevue 425/452-6851	Bellevue City Hall Council Conference Room, 11511 Main Street	1:00-4:00
4/24/01	Port Angeles 360/457-2564	Port Angeles City Hall Council Chambers 321 East 5 <sup>th</sup> Street, Port Angeles	9:00-12:00

Delivery charges incurred after the buyer has taken possession of the goods are not part of the selling price if:

- ◆ The seller is not liable to pay and does not pay the carrier; and
- ◆ The buyer alone is liable to pay.

Washington Administrative Code (WAC) 458-20-110 provides more information about freight charges.

**Q. I did not have any sales during the current reporting period, can I check the “no business activity” box on the return?**

**A.** The “no business activity” box may be used by a business that did not have any business activity or incur any tax liability for the reporting period.

Please be aware that although you may not have any sales during the period, you may still have a tax liability. You may owe **use tax** if you purchased equipment, supplies, or materials for your own use and did not pay retail sales tax on those purchases. Use tax is a complement to the retail sales tax and applies to purchases of tangible personal property for use in the state when retail sales tax was not paid.

For more information regarding use tax, refer to WAC 458-20-178. ▲

## Aberdeen Office Closes

**T**he Department of Revenue’s Aberdeen field office closed on January 31, 2001. The closure is part of an ongoing effort by the Department to reduce costs by consolidating field offices and improving procedures. To reduce the impact of the closure, additional tax information is available over the Internet and through the Department’s toll-free assistance line. ▲

## Property Tax Reminder

**D**on’t forget. April 30, 2001, is the due date for real and personal property tax payments. April 30, 2001, is also the due date for filing personal property affidavits.

**About Personal Property Tax:** Every January, county assessors mail personal property affidavits to persons who have previously listed personal property. If you are a new business or did not receive the affidavit, please contact your county assessor. Failure to file an affidavit on time may result in having to pay a penalty of 25 percent of the tax in addition to the tax.

If you have questions about paying real and personal property taxes, contact your county treasurer’s office. The number is listed in the county government (blue) section of the telephone directory. For information regarding watercraft personal property tax, contact the Department of Revenue’s Watercraft Valuation Unit. The telephone number is (360) 753-1520. ▲

## Notice to Auto Repair Facilities

**U**nder Washington’s Auto Repair Law, customers are entitled to:



1. A written estimate for repairs which will cost more than \$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 of repair authorization.
3. Authorize orally or in writing any repairs which exceed the estimated total pre-sales tax cost by more than 10%.
4. Authorize any repairs orally or in writing if the customer’s vehicle is left with your facility without face-to-face contact between the customer and repair facility personnel.
5. A copy of the invoice clearly and accurately listing all work done and parts supplied.

A repair facility that fails to comply with these requirements may not file a possessory or chattel lien for the amount of unauthorized parts or labor upon the motor vehicle or component.

This general summary is not intended to cover all legal implications of the law. It is provided annually by the Department of Revenue, as required by RCW 46.71.090. ▲

### We Need Your Help!

We want to hear your comments or suggestions regarding *Tax Facts*. Please take a few moments and let us know whether *Tax Facts*:

- ◆ Provides useful information;
- ◆ Helps you understand Washington State’s tax structure better; and
- ◆ Is clear and easy to understand.

If you have suggestions for improvements, or would like us to address specific issues, we’d like to hear that too. Send us an e-mail at [Communications@dor.wa.gov](mailto:Communications@dor.wa.gov) or call our automated telephone system (1-800-647-7706) and leave a message.

# Sales to Nonprofit Organizations

Nonprofit organizations are generally subject to tax in Washington even though such organizations may be exempt from federal tax. Religious, charitable, benevolent, and nonprofit service organizations are subject to business and occupation (B&O) tax, retail sales tax, and use tax, unless specifically exempt by statute.

In general, sales to nonprofit organizations of items for their own use are subject to retail sales tax. However, persons who sell to nonprofit organizations should be aware of the available sales tax exemptions.

The following list identifies some of the most common sales tax exemptions provided by law:

- ◆ Sales for resale, including sales to qualifying nonprofit organizations for resale in fund raising activities;
- ◆ Sales of objects of art or cultural value, or objects used to display or present art to an artistic or cultural organization;
- ◆ Sales to cities, towns, counties or private organizations of emergency lodging (also exempt from convention and trade center tax and the special hotel/motel tax); and
- ◆ Sales of any item to the American Red Cross.

Persons making tax exempt sales to nonprofit organizations, except the American Red Cross, must obtain a properly completed resale or exemption certificate. Unregistered nonprofit organizations that engage in fund raising activities may provide a resale certificate with the UBI number omitted, but must indicate that the purchase is for a “nonprofit fund raiser.”

For more information regarding nonprofit organization and related exemptions, call the Department’s Telephone Information Center. ▲

## 24-hour automated services



The Department of Revenue’s Telephone Information Center offers several automated services. With the exception of *Tax Express* and Revenue’s web site, you can access any of these services by calling 1-800-647-7706. Listen to the menu and select the option you wish to use.

**Fast Fax** — Transmit documents directly to your fax machine. For a list of available documents, enter code 500#. To bypass menu selections, call (360) 786-6116.

**Workshops** — Call to attend one of the New Business Outreach Workshops.

**Vehicle or vessel fraud** — Report vehicle or vessel licensing fraud.

**Address changes** — Notify us if you have moved or changed your mailing address.

**Business closures** — Notify us if you have closed or sold all or part of your business. If you’ve sold your business, tell us who you sold the business to and whether you’ll continue to do business under your UBI/tax registration number.

**Master Applications** — Request a new Master Application if you’re changing your business structure (legal entity), changing or adding a trade name, opening a new location, reopening a closed business, divorcing and your spouse is no longer responsible for the business, changing your principal product or service and a license from another agency is required, or transferring the majority of a corporation’s stock to different individuals.

**Copies of rules, laws, or other departmental publications** — Request a rule, law, or other publication. An order form listing the Department’s fact sheets and brochures is available via *Fast Fax*, code 501#.

**Proposed rules** — Leave informal comments on proposed rule changes or ask to be placed on a mailing list to receive notice of future proposed rule-making actions.

**Delinquent notices/no tax returns** — Clear the delinquency if you have received a delinquent notice and you have no business to report.

**Duplicate tax returns** — Request a new tax return be faxed or mailed if you’ve misplaced your tax return. Have your UBI/tax registration number ready when calling.

**Tax Express** — Listen to prerecorded tax information by calling 1-800-334-8969. To listen to the topic of your choice, enter the three-digit code. To receive a list of topics and codes, call 1-800-647-7706 and leave a message with the automated voice attendant.



**Revenue’s web site** — See what’s new on our web site: <http://dor.wa.gov>

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users, please call 1-800-451-7985.

Prepared by the Taxpayer Services Division

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