

Tax Facts

Prepaid Internet Access Cards

Do you buy or sell Internet access cards?

What's an Internet access card?

An Internet access card is a prepaid card that consumers can purchase for a specified amount of Internet access time. The card generally comes with a start-up CD. The CD is loaded onto the customer's computer to gain access to the Internet.



Is there a monthly fee?

No, but the consumer is still subject to any related charges and taxes for use of the telephone line used to connect to the service. These additional charges are billed separately by the telecommunications carrier.

What's a "refill card"?

A refill card is related to the Internet access card. When purchased, it allows the consumer to add more minutes to their already established prepaid Internet service account. The product is the same as the Internet access card, but doesn't include a start-up CD.

Are sales of prepaid Internet access cards subject to retail sales tax?

No. Businesses that provide access to the Internet are not making "retail sales" in Washington and, therefore, the sales are not subject to sales tax. Customers purchasing such cards are actually purchasing Internet access. The card and CD merely represent the Internet services purchased.

How are sales of prepaid Internet access cards taxable?

Income from sales of Internet access cards and refill cards is subject to B&O tax under the service and other activities B&O classification.

What's Up with Charges for B&O Tax?

Why do some businesses, including many telecommunications businesses, charge B&O tax on their billings?

The business and occupation (B&O) tax is a tax on business activities, not a tax on the consumer. It is a cost of doing business in Washington, similar to other business costs incurred, such as labor costs, utilities, insurance, or cost of goods sold.

Some businesses choose to separately itemize for the B&O tax associated with their charges on their customer billings. There is nothing in state law that prohibits a business from itemizing its costs to its customers.

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What is the real effect?

The B&O tax is calculated on gross receipts. A business that itemizes B&O tax on its customer billings may actually **increase** the amount of gross receipts subject to tax. As a result, if a business increases its gross receipts, it will also increase the amount of B&O tax and/or retail sales tax.

Want to know more?

Visit our web site and click on "Publications," then "Special Notices." The special notice on "Itemizing the B&O Tax" is under "I." You may also call our Telephone Information Center at 1-800-647-7706.

A Change on the Tax Return

Beginning with the March 2003/Quarter 1, 2003, Combined Excise Tax Return, there will no longer be a line for interest. Previously, interest was reported on line 36 in the "Totals" section. The interest line was removed due to space constraints and the confusion that it caused. If interest is due, the Department will send you a notice of balance due or assessment after you file the return.



TaxWorkshops

New Business Outreach Workshops

New Business Outreach Workshops provide a basic overview of taxes that apply to various business activities in Washington. Topics include: tax reporting classifications, deductions, collecting sales tax, and recordkeeping requirements. Register online at http://dor.wa.gov/content/services/services_wrkshop.asp or call one of the numbers listed below.

DATE	TIME	LOCATION
4/8/03	1:00-4:00	Worksource Office, 101 Prospect Street, Suite 10 Conference Room, Bellingham To register, please call (360) 738-6111
4/9/03	1:00-4:00	Lakewood Library 6300 Wildaire Road SW, Lakewood To register, please call (253) 593-2722
4/15/03	1:30-4:30	Douglas County Fire Station 377 Eastmont Ave, East Wenatchee To register, please call (509) 663-9714

Unclaimed Property (UCP) Reporting Workshops

Several Unclaimed Property Reporting Workshops are scheduled for May 2003. The workshops will cover UCP reporting requirements and are tailored for three audiences: government agencies, financial institutions, and general businesses. Register online at http://dor.wa.gov/content/services/services_wrkshop.asp or call (360) 753-5531.

DATE	TIME	WORKSHOP	LOCATION
5/6/03	8:00 - 12:00	UCP Reporting for Businesses	Comp. Health Ed Foundation Large Conference Room 22419 Pacific Hwy South SeaTac, Washington 98198
5/6/03	12:30 - 4:30	UCP Reporting for Government	
5/7/03	8:00 - 12:00	UCP Reporting for Financial Institutions	
5/7/03	12:30 - 4:30	UCP Reporting for Businesses	
5/8/03	8:00 - 12:00	UCP Reporting for Government	
5/8/03	12:30 - 4:30	UCP Reporting for Financial Institutions	



Question&Answer

Q. My business occasionally purchases items from vendors located outside of Washington. When the out-of-state vendor doesn't charge Washington sales tax on the invoice, we pay use tax on the items directly to the Department of Revenue.

Recently, a vendor billed us for sales tax that the vendor should have collected on the original invoice. Since we've already paid use tax on the item, how should we respond to this billing?

A. As long as your business has documentation to prove that you paid use tax on the item, you do not owe the sales tax billed by the vendor after the invoice was paid.

What kind of documentation must you keep?

- A copy of the purchase invoice for the item(s) **AND**
- A copy of the *Combined Excise Tax Return* or *Use Tax Return* on which the use tax was reported.

How do you respond to the vendor?

If you are billed for sales tax by a vendor and your business has already paid use tax on the items to the Department of Revenue, you should:

- Reply to the vendor in writing, noting your company has already paid use tax on the items **AND**
- Send a completed *Certification of Use and/or Deferred Sales Tax* form with your response to the vendor.

- √ The buyer completes this form and sends it to the seller, relieving the seller from the obligation to collect and remit sales tax.
- √ The form certifies that the buyer previously paid use tax or deferred sales tax on the tangible personal property noted on the form to the Department of Revenue.
- √ The form is available on our web site at <http://dor.wa.gov>. Go to "Forms", then use the right hand navigation to access the alphabetical listing. You may also call 1-800-647-7706 to obtain a copy.

What if your business can't prove you paid use tax on the items?

If your business doesn't have the documentation to prove that you previously paid use tax on the items, you are required to pay sales tax to the vendor.

If you can later produce documentation proving you paid use tax directly to the Department of Revenue, you can supply the documents to the Department and request a refund of the use tax.



New Rules

Excise Tax Rule Adopted

458-20-165 Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services – Amended effective December 14, 2002.

Forest Tax Rules Adopted

458-40-540 Forest Land Values – 2003 – Amended effective January 1, 2003.

458-40-660 Timber excise tax – Stumpage value tables – Amended effective January 1, 2003.



On the Web

<http://dor.wa.gov>

A couple of new features recently debuted on our web site.

NEW! Estate Tax section

Do you ever wonder . . .

- What's Estate Tax?
- What's the filing threshold?
- When is the estate tax return due?
- How can I get an extension for late filing?
- What assets should I include?

You can find answers to these questions and much more information in our new **Estate Tax** section, located in the "Tax Topics" box on the left side of the screen.

NEW! Improved Search tool

Finding tax information on our web site is now easier than ever. Some of the exciting improvements that "Search DOR" allows you to do are:

- Search the entire web site or narrow your search to only specific sections or tax areas.
- Search for and bring up documents in PDF format.

You'll also notice a new, simple, easy-to-follow format that features:

- A new look to the results page.
- Documents sorted by category.
- More accurate results.

Take a minute to check out <http://dor.wa.gov>!



Special Notices

Pesticides and the Hazardous Substance Tax

issued November 13, 2002, educates people that sell, apply, or use pesticides in Washington about their potential hazardous substance tax liability. The notice explains what pesticides are subject to the tax, who pays the tax, and how the tax is paid.

Tax on Equipment Used to Reduce Agricultural Burning

issued December 6, 2002, provides information about the sales tax exemption for farmers who use structures and equipment as alternatives to field burning of cereal grains and field and turf grasses grown for seed.



Excise Tax Advisory

2011. 32 Withdrawal of published determinations – issued January 17, 2003.



Need Assistance?

1-800-647-7706

Call the Telephone Information Center at 1-800-647-7706, Monday, Tuesday, Thursday, and Friday, 7:30 a.m. to 5:00 p.m.; Wednesday, 9:00 a.m. to 5:00 p.m. For local office addresses and phone numbers, visit the Department's web site at <http://dor.wa.gov> and click on "Contact Us."

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.



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