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For more information, contact:
Mike Gowrylow
(360) 570-6048

Major change coming to buying goods and services for resale

Olympia, Wash., Oct. 5, 2009 — Washington state laws governing how businesses purchase goods and services for resale are changing in a big way next year.

Beginning Jan. 1, 2010, only businesses with a Department of Revenue-issued reseller permit can purchase items for resale without paying sales tax.

The legislatively mandated switch from the current resale certificate program is projected to recover up to \$100 million annually in state and local sales tax revenue that is now lost when businesses buy items for their own use but don't pay sales tax when due.

Examples of misuse of the self-issued resale certificates include a dentist buying a big screen TV for office or home use, a nonprofit corporation purchasing office equipment for its own use, and a janitorial firm buying cleaning supplies used in its business. Sales tax is due on all of these purchases because the materials aren't being resold.

The Department estimates that 30 percent of registered businesses in this state qualify for and will receive the new reseller permit. Businesses that do not report retail or wholesale sales generally will not be eligible for permits. Farmers will continue to be eligible to purchase certain materials such as feed and seed tax-free.

The Department has been working closely with industry to develop the new process since the law passed during the 2009 legislative session, Revenue Director Cindi Holmstrom said.

"I want to thank the business community for helping us implement this new law," she said. "It's in everyone's best interest to ensure that sales tax is paid when due, and not paid when not due."

Holmstrom said more than 155,000 businesses were mailed permits automatically this month. Another 330,000 were advised that they would not be sent a permit but could apply for one if they could demonstrate a legitimate business need. These include contractors, many of whom can qualify for permits depending on the nature of their work.

About 326,000 registered non-reporters, who don't file tax returns and don't collect sales tax, will not qualify for permits.

After Dec. 31, 2009, businesses that do not have a reseller permit will need to pay sales tax on products they purchase to resell, but can claim a deduction for sales tax paid at source on their state excise tax returns or seek a refund if they do resell them.

Businesses that have been issued permits must present copies to those businesses from which they buy items for resale. The sellers must keep the permits on file for five years and only make tax-free sales to businesses with permits.

More information on reseller permits is available at <http://dor.wa.gov/resellerpermit>.

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