WASHINGTON STATE DEPARTMENT OF REVENUE
NEWS

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Governor signs bill to zap zappers

OLYMPIA, WA, May 20, 2013 – Governor Jay Inslee today signed a bill that penalizes businesses involved in the distribution or use of "zapper" software that erases sales from cash registers so retailers can avoid reporting sales tax they collect from customers.

The Department of Revenue supported passage of Senate Bill 5715 to combat the spread of zapper software, which also is used to avoid paying business and occupation tax and commit employment tax fraud and corporate embezzlement.

The new law makes it illegal for anyone to "sell, purchase, install, transfer, manufacture, create, design, update, repair, use, possess, or otherwise make available" software or hardware that deletes transactions.

"People expect the sales taxes they pay to finance state and local services such as schools and police protection, not to pad the profits of dishonest businesses," Inslee said. "This legislation should deter retailers from using zappers to evade taxes while giving the Department of Revenue stronger tools to go after those who sell or use them."

Zappers selectively delete transactions from cash registers so those sales can't be tracked later by auditors and compared to reported sales. Businesses using zapper software are businesses that are frequently paid in cash, but new evidence shows that credit and debit card transactions are also being zapped.

Senate Bill 5715 makes it a class C felony to commit electronic tax fraud using an automated sales suppression device, or phantom-ware. Retailers already are subject to felony charges if they fail to remit sales tax but, in addition to the felony charge, the bill subjects anyone who manufactures, provides or services zappers to a mandatory fine that is the greater of $10,000 or the amount of tax that wasn't paid. The bill was unanimously passed by both the House and Senate.

The new law also authorizes the Department of Revenue to revoke the business licenses of any business found using such devices, seize those devices and not reinstate a business unless it agrees to five years of electronic monitoring.

Canada's Revenu Quebec, whose economy is similar in size to Washington, estimates zappers cost it more than $200 million annually. Thirteen other states have passed legislation targeted at sales suppression software.

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