

WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

For further information contact:
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Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

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**Business and Occupation Tax Liability
of Out-of-state Repair Businesses**

The purpose of this notice is to inform out-of-state repair businesses that they may be entitled to a credit for retailing business and occupation tax paid on out-of-state repair work.

The Department has discovered that for some taxpayers it has incorrectly applied the retailing business and occupation tax to repair work performed outside of Washington. In these cases, the Department has required out-of-state repair businesses with nexus in Washington to pay business and occupation tax on a portion of the repair charge. The measure of the tax was the charge for parts incorporated into the equipment as a part of the repair process. This is in conflict with the Department's position with respect to retailing business and occupation tax on in-state repair work. Specifically, if repair work is an inherently local activity when performed within Washington, then the same transaction must be inherently local when performed outside of Washington. Because the retailing business and occupation tax is imposed on the local activity, in-state repair work is subject to retailing business and occupation tax measured by the total charges for repair parts and labor. Out-of-state repair work is not subject to the tax at all.

Out-of-state businesses with nexus in Washington are still required to collect retail sales or use tax on all repair parts delivered into Washington.

If your business has paid retailing or wholesaling business and occupation tax on repair work performed outside of Washington, then you may be entitled to a refund or credit for that tax. Of course, any refund or credit applications will be subject to applicable statutory limitations periods. Refund requests should be directed to Taxpayer Account Administration, Refund Desk, Post Office Box 47476, Olympia, Washington 98504-7476.

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