Washington Government Entities Tax Obligations

The purpose of this Special Notice is to inform state and local government staff of sales and use tax obligations. Generally, state and local government entities are subject to retail sales tax on the purchase of goods and retail services, such as contracting and repairs of tangible personal property. If retail sales tax is not paid to the vendor, use tax must be paid directly to the state.

Therefore, government entities making purchases of tangible personal property or accepting bids for contracting work should always do the following:

◆ Check for vendor and contractor registration;
◆ Pay retail sales tax to all registered vendors; and
◆ Pay use tax on all goods purchased from unregistered vendors who are not required to collect retail sales tax.

Checking for Vendor Registration

You can check to see if a business is registered by going to Revenue’s web site at http://dor.wa.gov and using the State Business Records Database. Businesses can be checked by business name, owner name or Unified Business Identifier (UBI) number. You can also call the Department’s Telephone Information Center at (360) 486-2345 or 1-800-647-7706 to find out if a business is registered.

The Department of Licensing also has an on-line database to check and find out if contractors have registered with the state.

Paying Retail Sales Tax

As noted above, state and local government entities should be paying retail sales tax on goods and services. The tax should be listed on the invoice and paid to the seller who is registered with the Department of Revenue. Those businesses located in Washington or businesses with nexus in Washington are required to register with the Department of Revenue, collect and pay Washington taxes. Nexus is defined as any physical presence in Washington, including the presence of independent sales representatives who periodically travel through the state. For example, contractors establish nexus simply by performing a contracting job in Washington.

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Unfortunately, many out-of-state businesses with limited in-state presence are not aware they have sufficient nexus. In addition, some out-of-state vendors and contractors come from states where governmental entities are exempt from retail sales tax and assume the same is true in Washington.

**Therefore, Washington governmental entities should inform all out-of-state vendors with nexus and all contractors that registration, payment of business and occupation (B&O) tax, and collection of retail sales tax is required when making sales to a governmental entity in Washington.**

To summarize, all in-state vendors, out-of-state vendors with a physical presence in Washington, and all contractors must:

- register with the state;
- pay business and occupation (B&O) tax on the gross amount of their Washington sales; and
- collect retail sales tax on sales of tangible personal property and the performance of retail services.

**Use Tax**

With electronic commerce, state and local government entities are making more purchases from out-of-state vendors. Frequently, the out-of-state vendors do not have nexus in Washington and are not required to be registered with the state and collect retail sales tax. When government entities make purchases from such businesses, they must pay use tax on the value of the products purchased.

Use tax is a compliment to the retail sales tax and is due on any tangible personal property when retail sales tax has not been paid. The use tax rate is the same as the combined state and local retail sales tax rate that applies to the location where the goods are first put to use in Washington and is based upon the value of products used. The term “value of products” means the retail purchase price including any charges for shipping and handling. State and local use tax is reported on the excise tax return in the same manner as retail sales tax. Remember, buyers pay either the use tax or retail sales tax, not both.

**Public Road Construction**

Please note, there are special provisions for contractors engaged in public road construction. Public road construction is subject to retail sales tax or use tax on the value of all materials incorporated into the bid. Local governments should remind contractors bidding on public road construction contracts to be sure to include sales tax or use tax on all tangible personal property incorporated into the project.

For more information, please contact the Telephone Information Center at 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.