

SPECIAL NOTICE

May 4, 2005

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

Sales or Use Tax on Inventory Tracking Supplies (Tags, Labels, Tickets, etc.)

This Special Notice provides information about the taxability of items, such as labels, tickets, and tags used to track inventory.

Inventory tracking items allow businesses to update and monitor inventory through the use of information encoded on labels, tickets, and tags. Bar code information on labels, tickets, or tags may be placed on merchandise at any point during the manufacturing process, at a warehouse, at the point of distribution, or by a wholesaler or retailer.

The use of labels, tickets, tags and similar items to track merchandise for inventory or other business purposes is a taxable use of the items. Such items do not qualify for the tax exclusion provided for goods held for resale, even though they might remain attached to the goods sold to customers. **Sales of labels, name plates, and tags to persons who use them for inventory, statistical, or other business purposes are subject to retail sales tax.**

Examples:

1. A business purchases tickets, labels, or tags that will be used for inventory tracking, statistical tracking or other business purposes. In this case, the business must pay retail sales tax to the vendor because the items are "used" by the business and not just held for resale to the customers. If sales tax is not paid to the vendor, the business owes use tax on these items.
2. A business purchases tickets, labels, or tags that are used merely for *customer pricing information*. In this case, the business may provide the vendor with a resale certificate so as to not be subject to retail sales tax on these purchases. The business does not "use" these items but merely holds them for resale to the customers. The business will not owe use tax on these items.

Please see Washington Administrative Code (WAC) 458-20-116 for additional information on labels, tags, etc. The rule is available on our web site at <http://dor.wa.gov> under "Laws and Rules."

You may request a binding tax ruling on your activities. You must provide all relevant facts. Write to:

Taxpayer Information and Education
Washington State Department of Revenue
PO Box 47478
Olympia, WA 98504-7478

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.