



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

Sept. 23, 2016
Originally Published April 2006

Selling beer and wine to retailers

Producers of beer and wine may sell their products directly to Washington retailers under certain conditions:

You must register with and meet the Liquor Control Board (LCB) requirements. You must directly contact the LCB for their registration and reporting requirements. You can visit their website at <http://www.liq.wa.gov/default.asp>.

This notice only explains the Washington State Department of Revenue excise tax reporting responsibilities.

Washington's Excise Taxes on Beer and Wine Sales

Business and Occupation (B&O) Tax

Washington's B&O tax only applies to gross proceeds from sales that meet both of the following requirements:

1. Producer/seller is located in this state or has otherwise established nexus in Washington (see below),
and
2. Goods sold are received in Washington by the retailer or the retailer's agent.

The B&O tax applies to gross proceeds from the sale of tangible personal property without deductions of:

- cost of goods sold
- cost of materials used
- labor costs
- interest
- discounts paid
- delivery costs
- taxes
- losses

Sellers/producers who obtain reseller permits from purchasing retailers report under the wholesaling B&O tax classification. Otherwise, the B&O tax must be reported under retailing B&O tax classification, and the seller must collect and report sales tax.

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For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

In addition, breweries and wineries that produce beer and wine in Washington are subject to the B&O tax under the manufacturing classification. Producers that sell wine or beer at wholesale must report under both the wholesaling and manufacturing classification and claim a multiple activities tax credit (MATC). For more detailed information about the MATC reporting requirements, refer to WAC 458-20-19301.

Litter Tax

Litter tax is imposed on manufacturers, wholesalers, and retailers of certain products which contribute to the litter problem in this state. The tax rate is .00015. Beer, other malt beverages, and wine sales are subject to litter tax, and sellers with nexus (subject to B&O tax) must report and pay litter tax on sales of such products. There is a separate line on the excise tax return to report litter tax (WAC 458-20-243).

What is Nexus the nexus standard for wholesalers?

Effective Sept. 1, 2015, economic nexus standards apply to most out-of-state wholesaling businesses. This means that out-of-state businesses that make wholesale sales into Washington will be subject to the wholesaling business and occupation (B&O) tax on wholesale sales delivered into this state for the current year if they are organized or commercially domiciled in Washington or met any of the following economic nexus thresholds during the previous calendar year:

- More than \$267,000 of gross receipts in Washington
- More than \$53,000 of payroll in Washington
- More than \$53,000 of property in Washington
- At least 25 percent of total property, payroll, or receipts in Washington

Note - These thresholds are effective for 2015. Please use these figures until revised. Please see ETA 3195.2015 for previous years and more information.

Wholesale businesses that meet either the payroll or property threshold most likely already have had a physical presence nexus requiring them to be registered with the Department for previous years. Our discussion here will focus on the gross receipts threshold, which is new for wholesale businesses in determining nexus.

Under this legislation, wholesale businesses that lack physical nexus but exceed the \$267,000 receipts threshold in any calendar year will, for the first time, become subject to B&O tax on wholesale sales into this state.

To determine whether a wholesale business exceeds the nexus threshold of \$267,000, both apportionable income attributable to this state and wholesale sales delivered to this state are to be included.

(This change from physical nexus to economic nexus only affects businesses making wholesale sales taxed under RCW 82.04.257(1) and RCW 82.04.270 and reported under the "general" Wholesaling B&O tax classification.)

Establishing economic nexus for wholesale sales does not by itself also establish nexus for purposes of Retail Sales Tax, Use Tax or Retailing B&O tax as these taxes still require physical presence nexus.

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Place of Receipt

Goods delivered by a wholesaler to a common carrier is not considered to be the place of delivery to the buyer. Instead, the place or receipt is where the goods are delivered by the common carrier to the buyer. For example – Company XYZ is a manufacturer/wholesaler located in Ohio. XYZ ships goods from its Ohio location via a for-hire carrier to its customer ABC located in Washington. The goods will be considered as having been received by Company ABC when the goods are delivered by the common carrier to ABC at its Washington location. Therefore, if Company XYZ has economic nexus with Washington, it would owe Wholesaling B&O tax on these sales to ABC (WAC 458-20-193).

For additional information, please see the Out-of-state businesses guide page located at <http://dor.wa.gov/OutOfState>.

Request a tax ruling

If you are unsure of your tax reporting and payment requirements, you may submit a written request to the Department for a tax ruling.

Note: Your excise tax return filing obligation with the Department of Revenue is separate from and in addition to your reporting requirements with the LCB.

For More Information

For additional information on doing business in Washington, see our web site at <http://dor.wa.gov>.

For information on licensing requirements, see the Liquor Control Board's web site at <http://www.liq.wa.gov/>.