



State of Washington  
Department of Revenue

# Excise Tax Advisory

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Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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**This ETA is cancelled effective December 29, 2006**

## FREIGHT FORWARDERS

Issued September 30, 1966

Are the gross proceeds earned from the business of "Freight Forwarding" subject to state Business and Occupation Taxes when the local income producing activity is related to actual incoming and outgoing interstate shipments as well as foreign exportation?

The test is whether the activity is such an integral part of the interstate process, the flow of commerce, that it cannot realistically be separated from it.

Services may be connected to and important to foreign and interstate commerce but yet constitute local business and separate from such commerce.

The Supreme Court in this state has, in the Washington-Oregon Shippers case (59 Wn. 2d 159), held that a cooperative association of local shippers performing the functions of a freight forwarder in respect to cargo shipped into this state was taxable. Gross proceeds received by the forwarder from Washington consignees in addition to amounts paid for actual Interstate transportation included charges for: (1) Loading and consolidation, (2) All risk insurance, (3) Forwarder's overhead, (4) Administration and billing, (5) Unloading and segregation, (6) Store door delivery. Not included in these proceeds were the actual transportation costs and railroad stop-off charges.

In Mohegan International Corp. v. City of New York, 122 N E 2d 546, (certiorari denied), a tax was upheld upon a foreign freight forwarder on receipts from its local activities which involved outgoing and incoming shipments in foreign exportation and interstate commerce.

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***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

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Therefore the Commission holds that

1. A freight forwarder is subject to Washington Business and Occupation Tax on all proceeds from Washington shippers or consignees regardless of whether goods are shipped across state or foreign boundaries.

2. The only receipts excepted from taxation are those actually intimately connected with interstate commerce, i.e., transportation charges or advances.

3. Licensing by the Interstate Commerce Commission does not enlarge the exception to the rule.

Note: Taxes on a foreign freight forwarder are permissible; however, brokerage fees from carriers for bookings, etc., and incidental charges for acting as foreign freight broker are not taxable. (Letter.)