



State of Washington
Department of Revenue

Excise Tax Advisory

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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 421.04.103

CONVERSION DATE: July 1, 1998

This ETA is cancelled effective March 28, 2008.

SALES TAX: LABOR PERFORMED OUTSIDE OF STATE

Issued April 30, 1971

Does the sales tax exemption apply to repair work performed outside the state, but when such out-of-state repair is not within the contemplation of the owner of the goods?

Taxpayer entrusted a hydraulic pump to a local shop for repair. At the option of the repairman, and without notice to the taxpayer, the pump was taken out of state for repair, where all labor was performed. The labor item was billed separately and taxpayer deducted the amount of the sales tax under a contention that repair labor performed outside the state is not subject to retail sales tax.

RCW 82.04.050 defines "retail sale" as:

. . . and including . . . persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for consumers . . .

RCW 82.08.020 imposes the retail sales tax as follows:

There is levied and there shall be collected a tax on each retail sale in this state equal to four and one half per cent of the selling price.

Rule 103 provides:

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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With respect for the charge made for performing services which constitute sales as defined in RCW 82.04.040 and 82.04.050, a sale takes place in this state when the services are performed herein . . . (Emphasis added.)

The department held that where the repairman picks up and delivers the equipment being repaired and the performance of the work outside the state is at his own option, no exemption from retail sales tax can be claimed.

For the exemption to apply, the fact that the repair work is to be performed outside the state must be an integral part of the contract. Such out-of-state repair cannot be an integral part of the repair contract when it is not within contemplation of the buyer-owner. Thus, where for example brand name wrist watches, etc., are sent as a matter of course by the local repair shop to the out-of-state manufacturer for repair and return, the retail sales tax is charged on the entire transaction. The repair contract, and delivery of the repaired goods is entirely local in nature, and under Rule 103, "the services are performed herein."