



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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CONVERSION DATE: July 1, 1998

SERVICE CHARGES ON GOODS PURCHASED FOR EXPORT

Issued July 1, 1966

May the service tax be imposed on handling charges which a local corporation charged its foreign affiliates as their purchasing agent?

Taxpayer purchased supplies and machinery for shipment to two foreign affiliate corporations, charging a 20 per cent mark-up for "handling charges and other incidental costs." The goods were immediately exported to foreign corporations.

RCW 82.04.290 imposes a tax on "persons engaged in the business of rendering any type of [non-retail] service." Rule 193 provides that the tax will apply to local business activities "only incidentally related to interstate or foreign commerce."

The Commission held the gross income from such activities fully taxable. Whether classified as interest, commissions, or service charges, the taxpayer was rendering purely local services which were sufficiently disjoined from foreign commerce.

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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