



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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NUMBER: 034.04.108

CONVERSION DATE: July 1, 1998

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**This ETA is cancelled effective February 2, 2009 and reissued under the 3000 series.  
See ETA 3001 for a cross-reference to the new series.**

## MAKE-READY SERVICES PERFORMED BY DEALERS

Revised: March 1, 1993

This Excise Tax Bulletin explains the Department's position in regards to make-ready services performed by dealers. This is a clarification and not a change in the Department's position.

Equipment dealers are often required by the manufacturer to perform or be responsible for make-ready services. These services generally include the inspection, conditioning, and necessary repair of the equipment prior to sale by the dealer. In most cases the dealer will receive payment in the form of a credit which will be applied to a future purchase. Payment to the dealer is contingent on providing the make-ready services, and is often termed as a "dealer discount" or "holdback."

It is the Department's position that these payments, whether as credits against future purchases or in the form of checks or cash, represent income to the dealer, and are subject to the wholesaling B&O tax. The dealer provides make-ready services to the manufacturer, in return for which it receives payment. These payments are not bona fide cash discounts taken by the dealer, nor do they represent any adjustment to the dealer's purchase price. The use of terms such as "dealer discount," "holdback," "refund," or "reimbursement" tends only to disguise the true nature of the transaction.

Payment for the make-ready services is a cost of doing business for the manufacturer. As a cost of doing business, they may not be deducted from the gross proceeds of sales when the manufacturer determines its business and occupation tax liability. These are not discounts being granted to dealers, but are payments for services performed by the dealer for the manufacturer.

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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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