



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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**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.**

SERVICE CHARGES ON TRANSACTIONS FINANCED THROUGH CREDIT CARDS

Revised: March 1, 1993

This Excise Tax Bulletin explains the Department's position on the effect credit card service fees have on the measure of tax liability of the sales transaction. This is a clarification and is not a change in the Department's position.

Many vendors allow customers to charge their purchases on credit cards. The use of these credit cards allows the customer to finance the sales transaction and facilitates credit sales by the vendor. In return, the institution issuing the credit card makes a charge to the vendor of a service fee. It is the Department's position that these service fees create no change in the tax liability of either the vendor or the customer.

The business and occupation tax is imposed on the gross proceeds of sale. This term is defined by RCW 82.04.070 to mean the full consideration ". . . proceeding or accruing from the sale of tangible personal property and/or for services rendered" The retail sales tax is imposed on the selling price, which is defined in RCW 82.08.010 to mean the full consideration paid for the property sold. While deductions are allowed for cash discounts actually taken by the buyer, costs of doing business incurred by the seller may not be deducted.

A credit card service fee is not a cash discount taken by the buyer, it is a part of the vendor's cost of doing business. As a cost of doing business, the fee may not be deducted from the gross proceeds of sale, or selling price, when determining the business and occupation and retail sales tax liabilities.

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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