



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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

CASH SHORTAGES AND CASH OVERAGES

Revised: March 1, 1993

This Excise Tax Bulletin is a clarification and does not indicate a change in the Department's policy in this area. It explains the Department's position on the effect of cash shortages and/or overages on the measure of tax liability.

Many businesses reporting on a cash basis use the sales as recorded within the cash registers to determine the gross sales. On occasion, these businesses find that they have a cash shortage and/or overage when reconciling their actual cash on hand with the cash registers. What, if any, effect do cash shortages and/or overages have on a business' measure of tax liability?

The business and occupation and retail sales taxes are imposed on the gross proceeds of sales, or selling price. These terms are defined very broadly by statute, with no allowance for the deduction of costs or expenses incurred by the seller.

The Department has uniformly held that cash shortages generally may not be deducted from the gross proceeds of sales. The cash register reading raises the presumption that sales were made in the amounts recorded. While part of the shortage could represent uncorrected "over-rings," other factors may be the cause of the apparent discrepancy. For example, the taxpayer may have made payments in cash to a supplier or carrier and failed to record the "cash paid-out." Unless the business can show that the cash shortage is the result of an error in recording sales, the best evidence of the minimum gross proceeds of sales is deemed to be the cash register reading.

Conversely, cash overages are presumed to be sales income not included in the cash register reading. This is because cash on hand generally comes only as the result of sales. This can include an accumulation of small sales which may not have been rung through the cash register. Unless the business can show otherwise, cash overages must be added to the sales figures provided by the cash register reading.

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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