



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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: 145.04.193

CONVERSION DATE: July 1, 1998

This ETA is cancelled effective January 29, 2009

RETENTION OF TITLE TO SECURE PAYMENT ON INTERSTATE SALES OF GOODS

Issued August 12, 1966

Where an out-of-state seller retains title to secure payment on goods sent to an in-state buyer, is there a nontaxable interstate sale?

The taxpayer manufactured goods at an out-of-state plant and consigned them to the Seattle warehouse of the taxpayer's parent corporation. The taxpayer retained title to the goods, but the parent paid ad valorem taxes and carried insurance on the goods stocked. The documents and accounting entries concerning the transaction indicated that the taxpayer was making sales to its parent corporation. When the goods were sold to Washington customers the documents of sale named the parent corporation as the seller. The taxpayer claimed that, because title was retained solely to secure payment, the transactions between itself and its parent were interstate sales.

RCW 82.04.040 defines sale to mean any transfer of the ownership, title, or possession of property for a valuable consideration. A sale occurs when title passes, and the goods are delivered, except where bare legal title is retained for security purposes. The parent corporation had possession of the goods and exercised all rights of dominion and control over the goods. The Commission concluded that the taxpayer did retain title solely for security reasons and the transactions were nontaxable interstate sales.

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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