



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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: 244.04.224

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.**

## LAYAWAY CHARGES

Issued September 16, 1966

Are layaway deposits on layaway sales taxable where the customer forfeits the deposit and the seller retains said deposits?

The taxpayer, a department store, collected a twenty-five cent service charge on each layaway sale which was to be paid at the time the sale was made. If the total purchase price was paid in full within two weeks after the initial payment, the taxpayer refunded the service charge in full. A number of the taxpayer's customers forfeited the deposit by not paying in full within the two week period, and the taxpayer retained the revenue from such forfeitures. The taxpayer was assessed a Retail Sales Tax on the forfeited layaway deposits. It contended, however, that said tax was erroneously applied.

The Tax Commission held that the retained layaway charges were a part of the taxpayer's income but that they did not constitute retail sales. The Commission held that the amount of such charges retained by the taxpayer were taxable under the Business and Occupation Tax classification, "Service and Other Activities." (Letter)

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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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