



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Credit Cards Service Charges on Transactions

This excise tax advisory explains the effect credit card service fees have on the measure of tax liability of the sales transaction.

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. 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, without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses." 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. RCW 82.04.4283.

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.

All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.

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