



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

NUMBER: 3012.2009

ISSUE DATE: February 2, 2009

Cash Shortages and Cash Overages

This excise tax advisory explains 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 by the cash registers to determine the gross sales. On occasion, these businesses find that they have a cash shortage or overage when reconciling their actual cash on hand with the cash registers. What, if any, effect do cash shortages and overages have on a business's 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 (RCW 82.04.070 and 82.08.010(1)), 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.

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.

Please direct comments to:
Department of Revenue
Interpretation and Technical Advice
Division
P O Box 47453
Olympia, Washington 98504-7453
(360) 570.6124 eta@DOR.wa.gov

To inquire about the availability of receiving this document in an alternate format for the visually impaired or language other than English, please call (360)705-6715. Teletype (TTY) users please call 1-800-451-7985.