



# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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## **Disaster Relief Funds Provided by FEMA and the Red Cross**

This Excise Tax Advisory addresses the Washington retail sales tax treatment of purchases made under financial assistance programs administered by the Federal Emergency Management Administration (FEMA) and the American Red Cross to assist victims of natural disasters.

WAC 458-20-190 (Rule 190) explains that sales made **directly** to the United States (the federal government, its departments, and its instrumentalities) are not subject to Washington retail sales tax. Rule 190 further explains that purchases made by any person, whether with federal funds or through a reimbursement arrangement, are subject to sales tax unless otherwise exempt by law. Washington law does not provide a general sales tax exemption for recipients of disaster relief funds.

FEMA is an agency of the federal government and the Red Cross has been held to be a tax exempt instrumentality of the federal government. As such, purchases made **directly** by these organizations are not subject to sales tax.

FEMA and the Red Cross provide some victims of natural disasters assistance by check, voucher, and/or direct deposits to the individuals' personal bank accounts. Assistance is also provided with emergency debit cards and "client assistance cards" that can be used by the recipients at locations where bankcards are accepted or at automated teller machines (ATM). The Washington sales tax treatment of purchases made using these payment methods is as follows:

### **Electronic Funds Transfers and Checks**

Purchases made by an individual using funds that have been transferred into the individual's bank account or received in the form of a check are subject to Washington sales tax in the same manner as any other purchase made by that individual.

### **Vouchers**

A voucher is a certificate issued by FEMA or the Red Cross to an individual that may be exchanged for a specific good or service. The goods and services will be paid for directly by FEMA or the Red Cross.

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**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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The individual provides the voucher to the vendor at the time of sale. The vendor who accepts the voucher then sends it and/or other proof of sale to FEMA or the Red Cross who will then sends a check to the vendor to pay for the purchase. Sales made in this manner are not subject to Washington sales tax since these sales are made directly to FEMA or the Red Cross.

**Debit Cards and Client Assistance Cards**

Sales to individuals who use debit cards issued by FEMA, who use client assistance cards issued by the Red Cross, or who pay with cash withdrawn from an ATM using one of these types of cards, do not constitute direct sales to the federal government or one of its instrumentalities. These sales are subject to Washington retail sales tax.

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