

Selling Spirits in Washington State

JUNE 2017

Distributors

Effective March 1, 2012, spirits distributors may begin selling spirits in Washington to on-premises licensees, off-premises licensees, and to other distributors.

How Taxes Apply to the Sale of Spirits

Spirits sales are subject to Washington taxes administered by the Department of Revenue.

Spirits Taxes ([RCW 82.08.150](#))

Sales to On-Premises Licensees

(Restaurants, bars, taverns, nonprofit fundraisers, etc., selling spirits for on-premises consumption by the drink)

Distributors must collect and remit the spirits taxes on all sales of spirits in their original container to on-premises licensees as follows:

- Spirits sales tax at the rate of **13.7 percent** of the selling price
- Spirits liter tax at the rate of **\$2.4408** per liter

Sales to Off-Premises Licensees and Distributors

(Grocery stores and other retailers selling spirits in the original container for off-premises consumption)

Sales of spirits to off-premises licensees and other distributors are not subject to the spirits sales tax or spirits liter tax.

Spirits Samples

If you provide samples of spirits (without additional charge) in the original package, which were previously purchased from another person, you owe the spirits taxes as follows:

- Spirits sales tax at the rate of **20.5 percent** of your purchase price for the spirits provided as a sample
- Spirits liter tax at the rate of **\$3.7708** per liter

Distributors owe the spirits taxes on these samples because they are considered to be the consumer of such spirits.

To report these samples on your excise tax return, you should report these samples under the Spirits Sales to Consumers, Spirits Liter Sales to Consumers tax classifications.

Due to how spirits taxes are reported on the e-file tax return, you also must report your samples under the Retail Sales and Retailing B&O tax classifications. Under the Retailing B&O tax classification you may report an Other deduction and in the explanation state Deferred Spirits Taxes for all of your spirits samples. Under the Retail Sales tax classification you may report a Sales of Spirits deduction for all of your spirits samples. By reporting these deductions you will not owe any retail sales tax or retailing B&O tax on the samples.

Delivery Charges

Amounts charged by a spirits seller for delivering spirits to a buyer's location are subject to the spirits sales tax. This includes charges designated as delivery, freight, mileage, shipping, fuel surcharge, etc. If the delivered goods include spirits and other goods that are not spirits, such as wine, beer and other tangible personal property, one of the following percentages must be used to determine the portion of the delivery charges subject to spirits sales tax:

- The total sales price of the spirits compared to the total sales price of the delivered goods.
- The total weight of the spirits compared to the total weight of the delivered goods.

If the sale of the delivered spirits was exempt from spirits sales taxes, then the delivery charges on those spirits are also exempt from spirits sales tax.

Sales in Indian Country

Sales of spirits delivered in Indian Country to tribal businesses or enrolled member/citizens are exempt from spirits taxes. See our fact sheet: [Sales Involving Tribes](#)

Sales to Employees

Under recent legislation, effective July 23, 2017, in certain situations Spirits Distributors may sell their unopened products directly to their employees (Substitute Senate Bill 5537, Chapter 160, Laws of 2017). In order to qualify such sales must meet all of the following requirements:

- The product must be in such condition that it cannot reasonably be sold in the normal course of business, such as, for example, because of damage to the labels on individual bottles
- The spirits cannot be sold for less than the licensee's cost of acquiring the spirits
- All sales are subject to the Spirits Licensing Fees (RCW 66.24.630(4)) and both the Spirits Litter Tax and the Spirits Sales Tax (RCW 82.08.150)
- The employee must be 21 years of age or older and must have been employed by the distributor for at least 90 days

- The employee must be purchasing the spirits for personal consumption and not for resale

Note: This legislation only applies to Spirits Distributors and does not apply to Spirits Manufacturers (distillers) or to Spirits Retailers (on premise consumption or off-premise consumption)

Business and Occupation (B&O) Tax

The gross income received from the sale of spirits to on-premises licensees, off-premises licensees, and other distributors is subject to the B&O tax under the Wholesaling classification.

Retail Sales Tax (RCW 82.08.020)

The general retail sales tax does not apply on sales of spirits in their original containers.

If You Have Another Type of Liquor License

If you also have a liquor license that allows you to sell spirits in their original containers to consumers, you will need to see our fact sheet for [Off-Premises Licensees](#).

If you also have a liquor license that allows you to sell spirits by the drink to consumers, you will need to see our fact sheet for [On-Premises Licensees](#).

Licensing Fees

Distributors may also be liable for licensing fees based on gross revenues. These fees are administered and payable to the Washington State Liquor and Cannabis Board (LCB). For more information, see LCB's fact sheets posted at <http://www.liq.wa.gov/transition/fact-sheets>.

If you have questions regarding licensing or fees, please call LCB's Customer Service Team at 360-664-1600 and choose Option 1 at the prompt.

Documentation Required for the Sale of Spirits

When making spirits sales, distributors must be able to document that the proper spirits taxes, if any, have been collected. For more information on these documentation requirements, see our fact sheet on [Documenting Spirits Sales](#).

TELEPHONE INFORMATION CENTER
1-800-647-7706

[HTTP://DOR.WA.GOV/SPIRITS](http://dor.wa.gov/spirits)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.