



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

July 2017

Tax Reporting for Consignment Sales

If you sell goods on behalf of others through a consignment arrangement, you need to know what your tax collection obligations are and how to correctly report consignment sales to the Department of Revenue. A consignment arrangement occurs when the owner of the goods contracts with another party to sell items on their behalf.

Businesses making retail consignment sales must collect sales tax. Consignment sellers are advised to remit the sales tax directly to the Department. If the consignment seller chooses to remit the sales tax to the consignor, this does not relieve them from their personal liability to remit the sales tax to the Department. If for any reason, the sales tax is not properly remitted to the Department by the consignor, the consignment seller that collected the sales tax is personally liable to the Department for any unpaid or underpaid sales tax. The terms of any agency agreement or other contract cannot overcome this statutory obligation to properly remit the trust funds to the State of Washington. RCW 82.08.050.

Seller's tax reporting

Selling as an agent for the owner of the goods:

If you have an agency agreement with the owner of the goods that you are selling on behalf of and you maintain records in accordance with WAC 458-20-159, then you should report as follows:

- Report consignment sales under the Retailing B&O tax classification. A deduction may then be taken when calculating the retailing B&O tax in the amount of the sales. The deduction must be identified on the deduction detail as "Consignment Sales."
- Report consignment sales under the Retail Sales tax classification. Generally, the Consignment Seller is responsible for remitting the sales tax to the Department. (However, if the owner of the goods is registered with the Department of Revenue and files excise tax returns, the seller can remit the sales tax to their customer to report to the Department with their excise tax return. In this case, the seller can take a deduction under "Other" then write in the explanation as "Sales tax remitted to owner.")
- Report commissions earned from consignment sales under the Service and Other Activities B&O tax classification.

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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 use the Washington Relay Service by calling 711.

Otherwise:

You should report as follows:

- Report consignment sales under the Retailing B&O tax classification. You cannot take a deduction for consignment sales.
- Report consignment sales under the Retail Sales tax classification.
- You do not have to report commissions on such sales.

Owner’s Tax Reporting

If the owner of the consigned goods is engaged in a business activity, then they are also subject to the B&O tax on income they receive from the sales of their goods and may be required to remit the sales tax. We assume a person is engaged in business, if they put themselves out to the public as being a business or make sales on more than a periodic basis.

When the consigned goods are sold by a consignee acting as an agent for the owner:

If the seller acts pursuant to an agency relationship and keeps their books as an agent under WAC 458-20-159, then the owner of the goods should report as follows:

- Report consignment sales under the Retailing B&O tax classification.
- Report consignment sales under the Retail Sales tax classification. If the consignee remits the sales tax to the Department, the owner may take a deduction from retail sales tax. On the deduction detail section of the tax return, identify the deduction as “Sales tax reported by agent.”(WAC 458-20-159) Otherwise, remit sales tax (both state and local sales taxes).

Otherwise:

The owner of the goods is making wholesale sales to the consignment seller and should report as follows:

- Report consignment sales under the Wholesaling B&O tax classification. To document the wholesale nature of the transaction, the owner will need a copy of the seller’s reseller permit or other approved exemption certificate. (WAC 458-20-102)