

Special Notice

Intended audience: Non-tribal businesses making sales to nonmember customers in certain designated areas

July 7, 2020

Retail taxes compact

A compact is a government-to-government agreement between the state of Washington and a federally-recognized tribe located in Washington state.

In the spirit of furthering the government-to-government relationship that exists between the state of Washington and the federally-recognized Indian tribes located in Washington state, the state's Legislature has authorized the governor to enter into compacts with tribes concerning the state's sales tax, use tax, and certain business and occupation (B&O) taxes. These compacts will benefit all Washingtonians by promoting economic development and providing revenues to tribal governments and Indian persons.

Effective June 11, 2020, a retail taxes compact provides a share of revenues to compacting tribes from qualified transactions, where nonmember to nonmember retail sales or use taxable transactions are sourced to a location inside certain areas.

What this means for non-tribal businesses

Effective July 1, 2020, there are new local tax rate codes to implement these compacts. Non-tribal businesses making sales to nonmember customers sourced to certain areas will report to these new location codes.

The department has resources available on our website to help determine the correct local sales and use tax code, including our [GIS Tax Rate Lookup tool](#).

We will maintain a [current list of tribes](#) with retail taxes compacts with the state, as well as a list of new location codes for the designated areas.

What this means for compacting tribal businesses

There is no change for tribal-owned and tribal member-owned businesses of the compacting tribe in respect to the reporting of location codes. Tribal-owned and tribal member-owned businesses,

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including qualified spouses of enrolled tribal members, with an ownership interest of greater than 50% held in any combination of the compacting tribe or the compacting tribe's members, will continue to report to the location code to which they currently report.

Definitions

A **qualified transaction** means:

- A retail sale subject to sales tax between two parties who are both nonmembers, and the sale occurs within a compacted area.
- Any use by a nonmember within a compacted area where the state sales or use tax has not been previously paid.

Tribal or tribal member ownership means fee land with a greater than 50% ownership interest being held by any combination of the compacting tribe or its tribal members.

Resources

[Substitute House Bill 2803](#) (Chapter 132, Laws of 2020)

[Retail Taxes Compact website](#)

Questions?

For questions, please call 360-705-6705.

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