

Special Notice

Intended audience: Heavy equipment rental businesses

September 17, 2021

Heavy equipment rental tax

Beginning January 1, 2022, there will be a new tax imposed on the retail rental of heavy equipment. Washington heavy equipment rental dealers will be required to charge their customers the heavy equipment rental tax of 1.25% on the rental price of each in-state rental of heavy equipment.

Must the heavy equipment rental tax be included on the invoice?

Yes. The heavy equipment rental dealer is responsible for adding the heavy equipment rental tax to the customer's rental invoice. This tax should be separately stated on the invoice, similar to sales tax.

When does the heavy equipment rental tax apply?

The heavy equipment rental tax applies to all heavy equipment rentals made from a rental location in-state, and is in addition to the state and local retail sales tax. Like sales tax, this tax will be based on the location where the customer picks up the heavy equipment, or based on the location where the heavy equipment will be delivered to the customer.

How will the heavy equipment rental dealer submit the heavy equipment rental tax to the department?

The heavy equipment rental tax should be reported and paid to the department in the same manner as retail sales tax.

Once the rental tax is collected, the heavy equipment rental property dealer is responsible for reporting and submitting this additional tax to the department on their excise tax return. This tax should be reported under the Heavy Equipment Rental tax classification on the Other Taxes section of the return.

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Is the heavy equipment rental tax treated in the same manner as sales tax?

Yes. This rental tax is to be held in trust by the heavy equipment rental dealer until paid to the department.

If the heavy equipment rental dealer collects the tax, but uses it for their own use, or to any use other than the payment of the tax, then the dealer is guilty of a gross misdemeanor.

How is the heavy equipment rental tax invoiced to the customer?

The heavy equipment rental tax applies to the pre-sales tax rental price on the invoice. Accordingly, the retail sales tax does not apply to the heavy equipment rental tax. Both taxes should be separately stated on the invoice.

Are there exceptions where heavy equipment rental tax should not be charged?

Yes. The following are situations where heavy equipment rental tax should not be charged:

- The heavy equipment rental tax does not apply to rentals to the U.S. Government, the state of Washington and its political subdivisions, and municipal corporations.
- The heavy equipment rental tax does not apply to rentals of heavy equipment delivered to the consumer outside of Washington state.
- The heavy equipment rental tax does not apply to rentals to enrolled Indian tribal members with delivery on their reservation.
- The heavy equipment rental tax is not due if the rental company is located outside of Washington state, but they rent to consumers inside of Washington.

What constitutes heavy equipment rental property?

For purposes of the heavy equipment rental tax, the tax will only apply to heavy equipment exempt from property tax. (See Special Notice titled [Property tax exemption for heavy equipment rental property.](#))

Heavy equipment rental property includes, but is not limited to, the following:

- Earthmoving equipment, including but not limited to backhoes, loaders, rollers, excavators, bulldozers, and dump trucks.
- Self-propelled vehicles not designed to be driven on the highway.
- Industrial electrical generation equipment.

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- Industrial material handling equipment.
- Equipment used in shoring, shielding, and ground trenching.
- Portable power and HVAC generation equipment.
- Attachments to heavy equipment rental property, including but not limited to buckets, augers, hammers for backhoes, hoses, fittings, piping, chains, tools (such as jack hammers and cement chippers), and portable power connections.
- Ancillary equipment, including but not limited to generators, ground thawing equipment, fluid transfer equipment, pumping equipment, portable storage, portable fuel and water tanks, and light towers.
- Equipment or vehicles not subject to the vehicle license fees and not required to be registered with the Department of Licensing.
- Heavy equipment rental property does not include small hand tools, chainsaws, and lawnmowers.

Definitions

- “Heavy equipment rental dealer” means a person “principally” engaged in the business of renting heavy equipment rental property. “Principally” means that the dealer receives more than 50% of the dealer’s annual total revenue from the rental of heavy equipment rental property. See [RCW 84.36.597](#).
- “Consumer” has the same meaning as given in [RCW 82.04.190](#).
- “Rental price” has the same meaning as “sales price” as defined in [RCW 82.08.010](#).

Questions?

- [Substitute Senate Bill 5628](#) is codified under [RCW Chapter 82.51](#).
- See our [Special Notice for Property tax exemption for heavy equipment rental property](#).
- For information about excise taxes, please visit [dor.wa.gov](#) or call 360-705-6705.

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