



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

MAY 27, 2010

Changes to Personal Liability for Unpaid Sales Taxes

Background

Under existing authority, a corporate officer, member, manager or other person can be held personally liable for collected, but unremitted sales tax only when a corporation or limited liability company is terminated, dissolved, or abandoned.

Purpose

Second Engrossed Substitute Senate Bill (2ESSB) 6143, Part VIII, Sec. 801 amends RCW 82.32.145 to provide the Department of Revenue with additional authority to impose personal liability for collected, but unremitted sales taxes. The amendments include:

- Imposition of strict liability for collected, but unpaid sales tax against the chief executive or chief financial officer of the limited liability business entity.
- Imposition of liability against a current or former chief executive or chief financial officer for sales tax liability that became due during the period that he or she was responsible for the company's payment of sales tax.
- Authority to pursue collection from responsible persons when a limited liability business entity becomes insolvent.
- Creation of a presumption that an entity is insolvent if it refuses to disclose the nature of its assets and liabilities to the Department.

Definitions

2ESSB 6143, Part VIII, Sec. 801 contains the following terms:

- “**Strict liability**” means the chief executive or chief financial officer is personally liable for the collection and remittance of sales tax whether or not they had knowledge or control of the unpaid sales tax.
- “**Insolvent**” means the condition that results when the sum of the entity's debts exceeds the fair market value of its assets.
- A “**limited liability business entity**” includes corporations, limited liability companies, limited liability partnerships, trusts, general partnerships, and joint ventures. (Note: The definitional list of entity types is illustrative and not exhaustive.)

Effective date

Part VIII of the Act takes effect on May 1, 2010 and applies prospectively only.

For more information

Visit our website at dor.wa.gov, send an email to dorcommunications@dor.wa.gov, or call the Department's Telephone Information Center at 1-800-647-7706.

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