

Interim guidance statement regarding changes made by ESSB 5814 for Advertising Services

September 17, 2025

Purpose

Effective October 1, 2025, Engrossed Substitute Senate Bill 5814, Laws of 2025, Chapter 422 (ESSB 5814) makes the sale of advertising services a retail sale subject to Washington's retailing business and occupation (B&O) tax and retail sales tax. The purpose of this interim guidance statement is to provide guidance that taxpayers can rely on while the Department of Revenue (department) creates permanent guidance.

This interim guidance is divided into the following sections:

- Background and relevant law.
- How do I determine where the sale of advertising services takes place?
- Exclusions from advertising services.
- Classification or reclassification as advertising services.
- Does the multiple points of use (MPU) exemption apply to electronically transferred advertising services?
- May a business purchasing advertising services use a direct pay permit to pay retail sales tax?
- Can advertising services be resold?
- Do non-profits have to pay retail sales tax on advertising services?
- Do state and local governments have to pay retail sales tax on advertising services?
- Advertising services sold between members of an affiliated group.
- How do I determine my retailing B&O amount and the correct retail sales tax rate?
- Documentation.

- Taxpayer instructions.

Examples found in this interim guidance statement identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all facts and circumstances.

Background and relevant law

Under ESSB 5814, effective October 1, 2025, the sale of advertising services will be treated as a “retail sale.”[1] Accordingly, advertising services will be subject to retailing B&O tax and retail sales tax if offered other than for resale.[2]

ESSB 5814 defines “advertising services” to mean:

- All digital and nondigital services related to the creation, preparation, production, or dissemination of advertisements including, but not limited to:
 - (A) Layout, art direction, graphic design, mechanical preparation, production supervision, placement, referrals, acquisition of advertising space, and rendering advice concerning the best methods of advertising products or services; and\
 - (B) Online referrals, search engine marketing, and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of website traffic for purposes of determining the effectiveness of an advertising campaign.
- "Advertising services" do not include:
 - (A) Web hosting services and domain name registration;
 - (B) Services rendered in respect to the following:
 - (I) "Newspapers" as defined in RCW 82.04.214;
 - (II) Printing or publishing under RCW 82.04.280; and
 - (III) "Radio and television broadcasting" within this state as defined in RCW 82.04.281; and
 - (C) Services rendered in respect to out-of-home advertising, including: Billboard advertising; street furniture advertising; transit advertising; place-based advertising, such as in-store display advertising or point-of-sale advertising; dynamic or static signage at live events; naming rights; and fixed signage advertising. Out-of-home advertising does not include direct mail[.]

How do I determine where the sale of advertising services takes place?

The sale of advertising services is a retail sale. Retail sales must be sourced in accordance with RCW 82.32.730 for sales and use tax and retailing B&O tax purposes. The term "**source**," "**sourced**," or "**sourcing**" refer to the location (as in a state, local taxing district, jurisdiction, or authority) where a sale is deemed to occur.

Advertising services are subject to tax based on the location where the services are received by the purchaser and other default sourcing rules as follows:[3]

1. The seller's place of business if the purchaser receives the retail service at the seller's place of business.
2. If not received at the seller's place of business, the location where the purchaser receives the retail service if known to the seller.
3. If the location where the purchaser receives the retail service is not known, the purchaser's address available in the seller's business records.
4. If no address is available in the seller's business records, the purchaser's address obtained at the time of sale (e.g., purchaser's payment instrument).
5. If no address is obtained at the time of sale, the address where the retail service was provided by the seller.

As part of the department's efforts to gather feedback from industry members, there was a request to provide information related to the sourcing of creative advertising services such as graphic design, layout, and similar activities that occur prior to dissemination (referred to in this interim guidance as "creative" or "pre-dissemination" services) and advertising services that involve the actual dissemination (i.e., the release or distribution) of the advertising (referred to in this interim guidance as "dissemination" services). In response to this request, this interim guidance addresses both types of advertising services.

Retailers must generally collect and remit retail sales tax when payment for services are made. Industry feedback indicates that there are a number of business models in the advertising space. This means that in some models sellers and/or purchasers of advertising services will know the location where the advertising services are used at the time payment is made, while in other models, sellers and/or purchasers of advertising services will only know the

location where the advertising services are used after payment for the services is made. Also, it is possible that in some models, sellers and/or purchasers of advertising services may never have information on the location where the advertising services are used. Finally, the department recognizes that some industries and/or advertisers may have specific privacy rules to comply with, and in such cases the taxpayer is encouraged to contact that department for a binding ruling.

“Receipt,” in relevant part, generally means to make first use of the service.[4] While not binding on the department, the department may be guided by the Streamlined Sales and Use Tax Agreement (SSUTA) when determining the location of receipt.[5] The SSUTA does not directly address the sourcing of advertising services, but does address the sourcing of services generally, indicating “the location (or locations) where the purchaser (or the purchaser’s donee) can potentially first make use of the result of the service is the location (or locations) of the ‘receipt’ of the service.”[6] In determining the location of receipt for advertising services, the department provides the following guidance:

- **For advertising services related to disseminated advertising (including creative services provided in conjunction with the dissemination):** receipt occurs where the result of the advertising services is first used (result of the service), which is the location where the advertising services are disseminated. The location of dissemination may be indicated by, but not limited to: instructions as to where advertising will be placed for viewing, actual locations of placement, IP addresses of potential customers’ viewers of advertising, or other similar information about where the advertising is consumed.
 - **If the location of service is known:** If the purchaser receives the advertising services at multiple known locations, the advertising services must be sourced and allocated to those locations. The department will accept proportional allocation to each known location based on the amount of the service received at each location or equal proportional allocation to the known locations.
 - **Agreed-upon allocation at time of invoice, reasonable and consistent method:** If the purchaser will receive the advertising services in multiple locations, the seller and purchaser may allocate the sale to multiple locations based on a reasonable and consistent method.[7] The locations and agreed-upon allocation in this instance must be provided by the purchaser by the time of the invoice. The reasonableness of the allocation will be subject to review by the department.

- **For pre-dissemination (e.g. creative) advertising services by a taxpayer who does not sell any services related to dissemination of the advertising:** receipt occurs where the purchaser reviews the advertising or related service prior to dissemination.
- **If the seller of disseminated advertising services does not know the location of receipt at the time charge is made for the advertising services:** the seller may source the sale to an address for the purchaser in the seller's books and records, or, if unavailable, the address obtained at the time of sale.[8]
 - Default purchaser addresses should not be used in bad faith. For example, if advertising is disseminated in Washington, and the seller has an address for the purchaser in Washington but uses an address for the purchaser in California, use of the California address would be in bad faith.
 - When the seller knows the location of receipt, but with due diligence is unable to determine the complete street address or nine-digit zip code, the seller may source receipt of services received in Washington using the applicable pool code. For more information on proper use of the pool code, contact the department at (360) 705-6215.
 - When the seller does not know the location of receipt but the purchaser presents the seller with a direct pay permit or multiple points of use exemption certificate, the purchaser's receipt for purposes of paying its sales and use tax directly should follow the applicable provisions above, as modified for allocation of use determined for multiple points of use. See further guidance on the direct pay permit and multiple points of use exemption below.

Example 1: Disseminated advertising wholly within Washington – locations of receipt known:

Facts: ADco, a Washington-based company, sells retail taxable advertising services to Purchaser A, which sells pizza, for its pizza business. Purchaser A contracts to have advertising disseminated exclusively in Tacoma based on two nine-digit zip codes also known as directional advertising. The contract price is \$2,000.

Result: Purchaser A receives the advertising services at the location of dissemination, which is in Tacoma, Washington. The location of receipt is known to ADco. The entire \$2,000 selling price may be sourced to the two nine digit zip code locations based on amount of advertising used in those zip codes. If the precise amount allocable to the nine-digit zip codes is unknown, ADco may allocate the sales between the zip codes proportionally if

it is able to reasonably estimate the amount of advertising in each nine-digit zip code or may allocate equally between the zip codes if the proportion is unknown.

Example 2: Disseminated advertising wholly within Washington – locations of receipt known:

Facts: Assume the same facts as Example 1, except the advertising is disseminated state-wide, but without specific zip codes selected.

Result: Same result as Example 1, except ADco may also use the applicable state-wide pool code.

Example 3: Disseminated advertising wholly within Washington – locations of receipt known and unknown:

Facts: Assume the same facts as Example 1, except that the seller bills the advertising services after the services are performed. Payment to ADco is based on the number of viewer impressions for the advertising services. ADco is paid \$1 per impression. For the December billing, there are 1,000 impressions associated with a Tacoma, Washington nine-digit zip code number and 1,000 impressions associated with a second nine-digit zip code in Tacoma, Washington. There are an additional 100 impressions that have no specific zip code associated with them, but these impressions are associated with Washington. The gross amount billed for December is \$2,100.

Result: ADco should pay the retailing B&O tax and collect retail sales tax on the gross amount of \$2,100. ADco should source the portion of the transaction related to the two Tacoma nine-digit zip codes to Tacoma and collect the applicable rate for Tacoma. ADco may source the transaction related to the additional 100 impressions with no specifically associated zip code to the applicable state-wide pool code, collecting the applicable rate for that pool code.

Example 4: Disseminated advertising wholly within Washington – location of receipt unknown.

Facts: ADco2, a Washington-based company, sells retail taxable advertising services to Purchaser B for its electronics business. Purchaser B contracts to have advertising disseminated exclusively within Washington. However, ADco2 does not know the location or locations where the advertising will be

disseminated at the time Purchaser B pays the contract price and when sales tax must be collected. The contract price is \$2,000. Purchaser B has two business locations, one location in Washington and one location in Oregon.

Result: Because the location of use is unknown, ADco2 would source the transaction to the purchaser's Washington location. Because the advertising is to be disseminated only to Washington, use of the Oregon location would be deemed bad faith.

Example 5: Multi-jurisdictional disseminated advertising – location of receipt unknown:

Facts: ADco3, a Washington-based company, sells retail taxable advertising services to Purchaser C for its IT business. Purchaser C contracts to have the advertising disseminated as part of a multistate advertising campaign. Purchaser C pays the contract price of \$1 million before any advertising is disseminated. ADco3 does not know where the advertising will be disseminated at the time advertising services are invoiced and billed. ADco3 will not know the locations of use until potential customers enter certain keywords in their browsers and are served related advertising.

Result: Purchaser C receives the advertising services where the advertising is disseminated. ADco3 must report the sale under the retailing B&O tax classification and must collect and remit retail sales tax based on where Purchaser B received the service, if known. ADco3 will source the sale as follows:

- If ADco3 is unable to determine where Purchaser C receives the advertising, or if ADco3 and Purchaser C cannot agree on an allocation method, ADco3 should use the address for the purchaser available in its business records, not determined in bad faith.
- If ADco3 does not have an address for Purchaser C in its records, ADco may use an address for Purchaser C obtained at the time of sale (e.g., billing address), not determined in bad faith.
- Note: ADco3 and Purchaser C may agree to allocate the \$1 million selling price for retail sale to multiple locations based on a reasonable and consistent method of determining where the advertising will be disseminated. However, this allocation must be provided by the time of the invoice.

Example 6: Disseminated advertising time of sale consideration:

Facts: Same facts as Example 4, but ADco3 instead invoices and bills Purchaser C after the advertising services have been served to potential customers. ADco3 invoices Purchaser B \$100,000 for advertising services served to Washington IP addresses.

Result: The \$100,000 relating to advertising is received by Purchaser C in Washington based on the IP address locations. If ADco3 is able to match the IP address or other information to a location code using the appropriate look up application using street address, zip code, or GIS map location, ADco should use the application to determine the correct local jurisdiction(s) to source the sale. If ADco is unable to match the IP address to a location code, it may use the applicable pool code instead. ADco must report the sale under the retailing B&O tax classification and must collect and remit retail sales tax based on where Purchaser C received the service.

Example 7: Pre-dissemination advertising services

Facts: ADco4, a Washington-based company, contracts to advise Purchaser D concerning the best methods of advertising Purchaser D's products for \$2,000. The scope of the contract is solely for ADco4 to advise on Purchaser D's products. The contract requires ADco4 to advise Purchaser D's marketing office, which is located in Seattle, Washington. There is no identifiable location where the pre-dissemination advertising services will be disseminated or if the dissemination will even occur.

Result: This is a retail taxable advertising service. Purchaser D receives the advertising service at the Seattle, Washington location, and ADco4 must collect and remit sales tax based on this location. ADco4 must also report the sale under the retailing B&O tax classification.

Example 8: Pre-dissemination advertising services provided in conjunction with disseminated advertising services.

Facts: ADco5, a Washington-based company, contracts to create and advise Purchaser E on its new advertising campaign and to then disseminate the associated advertising for \$50,000. The contract requires ADco5 to work with Purchaser E's marketing office in Walla Walla, Washington for the campaign. The advertising is disseminated to locations wholly within 20 known nine-digit zip codes within Washington or Oregon.

Result: This is a retail taxable advertising service. The \$50,000 selling price may be sourced to the 20 known nine-digit zip code locations based on the amount of advertising used in those zip codes. If the precise amount allocable to each nine-digit zip codes is unknown, ADco5 may allocate the sales between the known nine-digit zip codes equally. ADco5 must collect and remit sales tax and report retailing B&O tax for the sales allocated to locations within Washington.

Exclusions from Advertising Services

Retail taxable advertising services do not include:

- Web hosting services and domain name registration;
- Services rendered in respect to:
 - "newspapers" as defined in RCW 82.04.214
 - printing or publishing under RCW 82.04.280
 - "radio and television broadcasting" within this state as defined in RCW 82.04.281[9]
- Services rendered in respect to out-of-home advertising, including: Billboard advertising; street furniture advertising; transit advertising; place-based advertising, such as in-store display advertising or point-of-sale advertising; dynamic or static signage at live events; naming rights; and fixed signage advertising.

Example 9: Out-of-home advertising excluded from advertising services:

Facts: ADco6, a Washington-based company, sells advertising to Purchaser F for its Washington-based real estate business. Purchaser F contracts to have the advertising placed on Spokane bus benches and signage on specific billboards for \$3,000.

Result: These are not retail taxable advertising services as these services are for out-of-home advertising that are excluded from the definition of advertising services. This is not a retail sale and is not subject to retail sales tax. Therefore, sourcing under RCW 82.32.730 is not applicable. Instead, ADco6's \$3,000 gross income from this service is subject to tax under the service and other activities B&O tax classification. Please reference WAC 458-20-19402 for more information on apportionment and when income from transactions subject to the service and other activities B&O tax classification is attributed to Washington.

Example 10: Broadcasting advertising excluded from advertising services

Facts: BroadcastCo, a television broadcaster licensed and regulated and issued a call sign by the federal communications commission (FCC) sells advertising airtime on its station to Purchaser G. Purchaser G contracts to have advertisements placed on BroadcastCo's specific television programming for \$100,000.

Result: These are not retail taxable advertising services as these services are rendered in respect to radio and television broadcasting that are excluded from retail advertising services. For information on taxability of radio and television broadcasters' income, see RCW 82.04.281.

Example 11: Printing and publishing advertising excluded from advertising services

Facts: PublishCo, a Washington-based company, prints and publishes both a physical print magazine and a substantially equivalent digital version. PublishCo contracts with Purchaser H, a Washington-based company, to print specific advertisements in the digital version of PublishCo's magazine for \$5,000, and additional advertisements on PublishCo's website outside the context of the digital version of the magazine for \$2,000.

Result: With respect to the \$5,000 charge for advertising on the digital version of PublishCo's magazine, PublishCo's sale to Purchaser H is not retail taxable advertising services as these services are rendered in respect to printing and publishing that is taxable under RCW 82.04.280 and excluded from retail advertising services. For more information on the taxability of printing and publishing, including advertising information, see WAC 458-20-143.[10]

With respect to the \$2,000 charge for advertising on PublishCo's website, the charge is a retail taxable advertising service and not excluded. PublishCo must report this amount under the retailing B&O tax classification and must collect and remit sales tax on this amount as indicated in this interim guidance.

Example 12: Grocer advertising allowances

Facts: GroceryCo operates a chain of grocery stores located in Washington. GroceryCo contracts with Purchaser I to advertise Purchaser I's products in print advertisements provided to customers at GroceryCo's store and also

separately mailed to customers, internet advertisements, in-store display advertising, and point of sale advertising for a single charge of \$1,000.

Result: GroceryCo's sale of in-store or print advertisements will generally be excluded from retail advertising services because they are services rendered in respect to out-of-home advertising. However, advertising that is provided by GroceryCo on the internet or printed mailings does not qualify for the exclusion from advertising services and would be subject to the retailing B&O and retail sales tax. If all of the services are provided for one non-itemized price, the sale may be a bundled transaction. See RCW 82.08.190 and 82.08.195.

Classification or reclassification of activity as advertising services

It may be unclear at the time the contract is executed how a service may be used by the purchaser. For tax reporting purposes, taxpayers should classify the service based on the information available at the time the contract is executed. Unless the taxpayer provides documentation that such service is not an advertising service, the department may presume the service is a retail taxable advertising service. If a purchaser later uses the service in a different manner, it may be necessary for the seller to reclassify the service to a different tax classification. This may also subject the purchaser to sales or use tax. Likewise, reclassifying the transaction from a retail sale to another tax classification may entitle the purchaser to obtain a refund of sales tax paid. Please see the department's interim guidance statement regarding contracts existing prior to October 1, 2025 and changes made by ESSB 5814 for more information.

Example 13: Reclassification of services from retail advertising services to service and other activities.

Facts: In December 2025, ADco10, a Washington-based company, enters into a contract to design and disseminate a series of advertisements for Purchaser J, based in Spokane, Washington. At the time the contract was executed, ADco10 and Purchaser J expected the services to be used for advertising on various websites. As such, ADco10 collected retail sales tax and reported its income for retailing B&O tax. However, after further market research, Purchaser J ultimately decides that they want the advertisements to instead be placed in an electronic newspaper.

Result: Because the services were actually rendered in respect to newspapers, the sale is excluded from retail advertising services. Purchaser J may be entitled to a refund of the sales tax paid. ADco10 may file an amended return to reclassify the gross income received from the sale from retailing B&O tax classification to the service & other activities classification if the gross income (or portion thereof) is properly apportioned to Washington (see WAC 458-20-19402).

Does the multiple points of use (MPU) exemption apply to electronically transferred advertising services?

RCW 82.08.0208(4) provides the multiple points of use (MPU) retail sales exemption for certain eligible products, including digital products, such as digital automated services (DAS), used by the purchaser concurrently inside and outside of Washington. RCW 82.12.0208(7) works in conjunction with the MPU sales tax exemption to apply use tax proportionately to the use of these products in Washington. This means that instead of paying retail sales tax at the time of purchase, buyers claiming the MPU exemption must apportion and report use tax directly to the department.

If a service that is defined as a retail sale under RCW 82.04.050 also meets the definition of a DAS, the department will treat these services as digital products that are eligible for all applicable retail sale and use tax exemptions, including the MPU exemption. A DAS is “any service transferred electronically that uses one or more software applications.” See WAC 458-20-15503(601). The question of whether a service meets the definition of a DAS generally depends on the facts and circumstances of that service. At the time of this IGS, the department has received no feedback concerning whether any advertising services may meet the definition of a DAS. Sellers and their customers will need to make this determination as to whether their service is a DAS.

When the purchaser receives retail services that are also DAS concurrently inside and outside of Washington, the purchaser will generally be eligible to use the multiple points of use sales tax exemption and pay use tax on the amount apportioned to Washington under RCW 82.12.0208. Notably, if the advertisement is disseminated to locations inside and outside of Washington through a server(s), the department will presume there is concurrent use.

Generally, retail services are received by the purchaser at the locations where the service is provided and will be used concurrently at those locations. Because the purchaser is the user of the retail service, and may use the services remotely, the department will require an alternative method of apportionment under RCW 82.12.0208(7), supported by the taxpayer's records, that fairly reflects the proportion of advertising services used in Washington and outside the state.

For advertising services specifically:

- The department considers first use to generally be the location of the persons viewing or interacting with the advertisements.
- When the purchaser/user of advertising services claims multiple points of use, but, only after exercising due diligence, is unable to determine the specific locations where the advertisements are viewed or interacted with, an alternative method of apportionment approved by the department will be to source and allocate sales based on a reasonable estimation method using internet usage statistics or other information that reflects where advertisements are viewed. When using this method, the applicable pool code may be used to reasonably determine apportionment to Washington. This instruction remains in effect until and unless superseded by final guidance. The department will presume due diligence was exercised for reporting periods ending December 1, 2025.

However, if the DAS is sold as part of a bundled transaction, then the MPU exemption and related apportionment is not available.[11] A bundled transaction is the sale of two or more distinct and identifiable products sold for one nonitemized price.[12] Pursuant to this interim guidance, the department will accept there is not a bundled transaction and the packaged products can each be taxed according to their appropriate classification if:

- The price of the DAS is separately identified by product on a binding sales invoice or other supporting sales-related documentation made available to the customer in paper or electronic form that may include, but is not limited to: an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, price list or the sale of any products in which the sales price varies; or
- The sale of any of the products that are negotiable based on the selection made by the purchaser of the products included in the transaction.

Example 13: MPU and multi-jurisdictional disseminated advertising:

Facts: ADco10, a Washington-based company, sells retail taxable advertising services to Purchaser K for its IT business. Purchaser K has multiple locations in Washington, Oregon, and Idaho, but is headquartered in Seattle, Washington. Purchaser K contracts to have the advertising disseminated as part of a multistate digital advertising campaign. ADco10's service to disseminate the ads meets the definition of a DAS. Purchaser K pays the contract price of \$1 million before any advertising is disseminated. ADco10 does not know where the advertising will be disseminated until potential customers enter certain keywords into their browsers and are served the advertising. At the time of sale, Purchaser K provides ADco10 with a multiple points of use exemption certificate.

Result: ADco10 is selling retail advertising services that also qualify as DAS. For purposes of ADco10's retailing B&O tax, the advertising services are received by Purchaser K where the advertising is disseminated in the same manner as Example 5. ADco10 must report as follows:

- If ADco10 does not know the location where the advertising is received (i.e., does not know where the advertising will be disseminated at the time the contract is executed), and uses Purchaser K's address for its headquarters in Seattle not in bad faith, the income is received by ADco10 at this location for purposes of retailing B&O tax.
- Because the advertising also qualifies as a DAS and the purchaser provides ADco10 with a multiple points of use exemption certificate, ADco10 may take the MPU retail sales tax exemption in RCW 82.08.0208(4).

Because the advertising services also qualify as DAS, Purchaser K is responsible for use tax and must use a method of apportionment supported by its books and records that fairly reflects the proportion of advertising services disseminated in Washington. In the case of advertising services, use tax should generally be apportioned based on the location of persons viewing or interacting with the advertisements.

May a business purchasing advertising services use a direct pay permit to pay retail sales tax?

A purchaser of advertising services may use a direct pay permit to directly pay the retail sales tax on its purchase of advertising services, if all eligibility requirements are met and the department approves the purchaser's application.

Under the direct pay program, approved businesses may purchase products without payment of sales tax to the seller at the time of purchase. Instead, the purchaser provides a direct pay permit to the seller and pays the sales and use taxes due directly to the department. To qualify for a direct pay permit, a seller needs to reasonably expect to have a cumulative tax liability of at least \$240,000 in the current calendar year or make taxable purchases exceeding \$10 million per calendar year.

Can advertising services be resold?

Yes, in certain circumstances. Sellers of these services may use a reseller permit when subcontracting with a third-party service subcontractor in certain situations. However, providers must maintain documentation to substantiate that the services qualify for resale.

The seller of advertising services may provide a reseller permit to a third-party subcontractor to document that the seller is purchasing the third-party subcontractor's services for resale purposes when both of the following factors are met:

1. The seller of the advertising services is contractually responsible for providing the third party contractor's services to the consumer of the advertising services; and
2. The seller of the advertising services has no intervening use of the services provided by the third-party subcontractor.[13]

Businesses providing wholesale advertising services may also accept other approved exemption certificates from their customers. See WAC 458-20-102. To be valid, paper certificates must be fully completed and signed by the customer.

If a seller of advertising services provides a subcontractor with a reseller permit or other approved exemption certificate, the seller does not need to pay retail sales tax. However, the subcontractor would still need to report the sale under the wholesaling B&O tax classification.

Do non-profits have to pay retail sales tax on advertising services?

In Washington, nonprofit organizations are generally taxed like any other business. They must pay B&O tax and collect and remit sales tax on gross revenues generated from the regular business activities they conduct.[14] This means that nonprofit organizations must collect and remit retail sales tax when making retail sales of advertising services and must pay retail sales tax when purchasing advertising services. For more information, see our Nonprofit organizations industry guide.

Do state and local governments have to pay retail sales tax on advertising services?

In Washington, state and local governments are generally subject to retail sales tax on their purchases just like any other businesses.[15] Sellers must collect and remit retail sales tax on sales of advertising services to state or local governments.

Advertising services sold between members of an affiliated group

The sale of advertising services when sold between members of an affiliated group are generally excluded from the definition of “retail sale” under ESSB 5814. Therefore, if the exclusion requirements are otherwise met, these services would be subject to the service and other activities B&O tax classification.

How do I determine my retailing B&O amount and the correct retail sales tax rate?

Washington’s B&O tax, including the retailing B&O tax, is calculated on the gross income from activities. This means that there are no deductions for labor, materials, taxes, or other costs of doing business. The B&O tax rate varies by classification, which you can find on the department’s business &

occupation tax classifications webpage. For more information regarding B&O tax generally, please see the department's business & occupation tax webpage.

Retail sales tax collection is based on the location where the customer receives the service (destination-based sales tax). The department has dedicated tools that help businesses track and determine the location code and sales tax rate to use. This includes a sales tax rate lookup URL Interface that provides direct access to the department's address-based rate lookup technology platform.

Please see the department's Sales & use tax rates and Sales and use tax tools webpages for more information

Documentation

As required under RCW 82.32.070, sellers and purchasers of advertising services must keep and preserve suitable records to determine the amount of tax, including documentation necessary for sourcing sales, and documentation of any applicable exemptions or exclusions. Records that should be kept and preserved may include, but are not limited to: contracts and agreements, statements of work, orders/quotes, purchase orders, invoices, data used to determine where services and advertisements are targeted, viewed or otherwise used or received, exemption certificates or other documentation, and validation of any qualifying affiliate transactions.

Taxpayer instructions

The department will continue to review these issues for purposes of developing final guidance. This interim guidance statement will remain in effect until the department issues final guidance, cancels this interim statement, or new legislation is enacted.

Please see our Services newly subject to sales tax webpage for updates, guidance, and opportunities to engage with the department.

If you have questions about this guidance, please contact the department at rulings@dor.wa.gov.

[1] RCW 82.04.050.

[2] RCW 82.04.050, RCW 82.04.250, and RCW 82.08.020.

[3] RCW 82.32.730(1); see also RCW 82.32.730(9)(f) ("‘Receive’ and ‘receipt’ mean taking possession of tangible personal property, making first use of digital automated services or other services, or taking possession or making first use of digital goods or digital codes, whichever comes first. . .")

[4] RCW 82.32.730(9)(f).

[5] RCW 82.02.210.

[6] SSUTA Rule 311.1 [↗](#)

[7] See generally, SSUTA Rule 309.3 [↗](#), SSUTA Rule 311.1.

[8] See RCW 82.32.730(1)(c) and (d).

[9] Under RCW 82.04.281, "radio and television broadcasting" means delivery of audio, video, and written information by a person operating as a radio or television broadcasting station licensed, regulated, and issued a call sign by the federal communications commission including, but not limited to, delivery by wire, satellite, or any other means.

[10] For guidance on when publishing a digital periodical without a substantially equivalent tangible version is not an eligible printing and publishing activity, see Interim guidance statement regarding the application of the printing and publishing B&O tax classification to digital subscriptions of magazines and periodicals, and note that the exclusion only applies to activities that fall under the printing and publishing classification.

[11] ETA 3242.2025 does not extend to apply the MPU to other types of bundled transactions as it is only applicable for sales of software maintenance agreements.

[12] RCW 82.08.190 and RCW 82.08.195.

[13] RCW 82.08.130(2) and WAC 458-20-10201(205).

[14] See WAC 458-20-169(4).

[15] See WAC 458-20-189(5).



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