

Wine industry

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Washington is one of the top wine producing states in the nation. In addition to selling wine, many other business activities fall under the wine industry umbrella, including farming, horticultural services, manufacturing, wholesaling, and retail sales, to name a few.

The taxability of businesses in the wine industry is determined by the various activities they perform. This guide is intended to provide general information on tax obligations and tax reporting instructions. The information does not replace or substitute Washington rules (WAC) or laws (RCW), nor is it intended to be a statement of Department of Revenue policy.

This guide was created to help the wine industry easily understand Washington state taxes that apply to their business activities.

The information in this guide is current at the time of publication. Please remember that state laws change on a regular basis. This guide will not reflect changes that occur after publication. For more information or to get answers to specific questions, please [contact the Department of Revenue](#).

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Agricultural/farming activities

Agricultural/farming activities

Grape growing represents the vast majority of farming within the wine industry. Some wineries grow their own grapes while others only purchase them.

Generally, farmers do not need a tax registration endorsement if they only make wholesale sales of agricultural products that they produce. However, other farming related activities may be subject to taxation and require a tax registration.

For a thorough discussion of the taxability of farming, horticultural activities, and the agricultural industry, please see the department's [Agriculture tax guide](#).

Note: Farmer does not include a person growing grapes or agricultural products exclusively for their own use in manufacturing ([RCW 82.04.213](#)).

Banquet/meeting facilities

Banquet/meeting facilities

Wineries often rent out part of their facilities to others for banquets, parties, meetings, etc. In most cases, if you make a separate charge for the use of a banquet or meeting room, retail sales tax does not apply. Instead, this income is subject to B&O tax under the Service and Other Activities classification. However, banquet/meeting facilities provided by a lodging business (hotel, motel, etc.) are subject to sales tax.

If a single charge is made for both a banquet room and meals/drinks (the banquet facility charge is not separately stated), then the total charge is subject to Retailing B&O tax and you must collect retail sales tax.

Business purchases: Retail sales or use tax

Business purchases: Retail sales or use tax

You must pay sales or use tax on items or retail services that you purchase for consumption or use in your winery business. Goods used in this state are subject to either sales tax or use tax, but not both.

What is use tax?

Use tax is a tax on the use of goods and certain services in Washington when sales tax was not paid at the time of purchase.

Option to pay sales vs. use tax?

If a seller is registered to do business in Washington, the seller is obligated to collect retail sales tax from the buyer, and the buyer is obligated to pay retail sales tax to the seller (assuming no sales tax exemption applies). Although the buyer has no option to choose which tax to pay, if the seller failed to collect the sales tax properly, that failure does not relieve the buyer from either (1) submitting the sales tax to the seller if subsequently requested by the seller, or (2) submitting use tax directly to the department for goods and services used in Washington.

Credit for sales or use tax paid elsewhere

When a local buyer purchases tangible personal property out of state for use in Washington, a dollar-for-dollar credit against the use tax may be taken for the amount of sales or use tax paid in the other state or country.

Canada's goods and services tax (GST) is not a sales tax (it is a value added tax) and is not allowed as a credit against use tax.

Amount subject to tax

Use tax is due on the value of the goods or services when they are first put to use in Washington. Items which are purchased without payment of the retail sales tax and put to use in Washington are generally subject to use tax measured by the purchase price. This includes charges for labor, materials, freight, handling, or any other amount paid or accrued, even when separately stated on the invoice.

Rate of use tax

The use tax is separated into two parts just like the retail sales tax. The state portion is 6.5%. The local portion varies depending on where the goods are put to use.

Example: At the current (June 2021 rates), a Woodinville winery will pay 10.0% use tax on bar stools, while a Walla Walla winery will pay 8.9% use tax on the same items.

Intervening use

Sometimes wineries make purchases for resale, but at a later date part of the merchandise is put to the winery's own use. Use tax is due at that time. For example: a winery may use glassware that was purchased for resale in the tasting room.

Items subject to sales or use tax

Common examples of items subject to sales or use tax include, but are not limited to:

- Office equipment and furnishings.
- Paper, promotional materials.
- Tasting room equipment and furnishings.
- Security system, landscaping.
- Construction, repair, maintenance services for office/tasting rooms.
- Cleaning supplies.
- Glassware, wine openers, etc., used in tasting room.
- Dishes, flatware, linens, etc. used in providing catering services.

References

[WAC 458-20-178](#) Use tax and the use of tangible personal property.

[RCW 82.12.035](#) Credit for retail sales or use tax paid to other jurisdictions with respect to property used.

Consignment sales

Consignment sales

What is a consignment sale?

A consignment sale is when the actual owner of goods (the consignor) enters into an agreement with another person (consignee) to sell those goods as an agent for the actual owner. Some wineries sell art or craft work, etc. on behalf of the artist or creator. The winery must collect sales tax on consignment sales.

Reporting instructions for winery selling in the name of the owner:

When an **unregistered** person consigns goods to a winery for sale, the winery will:

- Report the sales under the Retailing B&O and Retail Sales tax classifications.
- Take a [Consignment Sales](#) deduction from the Retailing B&O tax classification.
- Report the amount received as commissions and any other fees under the Service and Other Activities B&O tax classification.

When a **registered** person consigns goods to a winery for sale, the consignee (winery) may choose either of the following:

- Report consignment sales the same as they would for unregistered persons.
- Turn over the retail sales tax to the consignor to be reported on its excise tax return and only report their commissions and any other fees under the Service and Other Activities B&O tax classification.

Note: Wineries are advised to submit the sales tax directly to the department since they are not relieved of liability if the consignor does not submit it.

Reporting instruction for winery selling in own name:

When a winery sells the goods of an artist or creator in its own name, the sales are retail sales and the winery must pay the Retailing B&O tax, and collect and submit the retail sales tax.

References

[WAC 458-20-159](#) Consignees, bailees, factors, agents and auctioneers.

Determining tax rate/sourcing retail sales

Determining tax rate/sourcing retail sales

When you make retail sales, you must collect sales tax. You will determine the correct sales tax rate for retail sales by the destination of the sale – that is, the location where the buyer takes delivery of the goods.

For sales where you ship the goods to a buyer in Washington, you must charge the sales tax rate for the location where the goods are shipped – the destination of the sale.

Examples:

- Dave purchases and takes possession of a case of wine at the winery location in unincorporated Benton County. The winery will charge Dave the sales tax for unincorporated Benton County, where the winery is located and where he took delivery of the wine.
- Lori is a wine club member of ABC Winery. The winery ships two bottles of wine every 4 months to her home in Tacoma. The winery will charge Lori the sales tax rate for her Tacoma home, since this is the destination of the sale and where she takes delivery of the wine.

Tools

Several tools are available on our web site to verify the correct location codes and sales tax rates for your sales, including:

- [Tax rate lookup tool](#): A tool where you type in the address and the tool displays the correct tax rate and location code.
- [Excel workbook](#): A downloadable tax calculator workbook using Microsoft Excel that displays tax rates and location codes, calculates totals, and summarizes sales by city or county without an online connection.
- Rate flyer in [Excel](#) or [QuickBooks](#) file: An Excel or QuickBooks file with sales tax flyer information
- [Real-time Automated Lookup](#): Places a real-time look up tool directly into your system (programming required.)
- [Downloadable databases](#): Databases you can download to create your own lookup tools.
- [Customer database conversion](#): A service where a business with a consistent customer base sends a file of addresses and receives correct location codes and tax rates in return.

Donations to charities/nonprofits

Donations to charities/nonprofits

Wineries are often asked to donate bottles of wine or other products for charitable causes. Goods donated to nonprofits without any intervening use are not subject to retailing B&O tax or sales tax (since they are given away without a charge). The donor (winery) also does not owe use tax on the value of the wine.

Note: You must keep documentation supporting the donation in your records.

References

[RCW 82.12.02595](#) Personal property and certain services donated to nonprofit organizations or governmental entities.

Food sales

Food sales

Prepackaged food items

Wineries often sell pre-packaged foods such as:

- Chocolates, nuts, dried fruits.
- Crackers, cookies.
- Mustards, spreads.

Sales of pre-packaged foods are generally exempt from sales tax. However, the income from these sales remains subject to Retailing B&O tax.

Prepared foods

Some wineries operate a bar with a limited menu or a full restaurant. Sales of prepared food are retail sales. Income from sales of prepared food is subject to B&O tax under the Retailing classification and you must collect sales tax.

If you operate a restaurant please refer to our [Restaurants and retailers of prepared food](#) guide for specific information on how those activities are taxable.

Note: Businesses where prepared foods make up more than 75% of the annual sales of food and food ingredients must collect sales tax on all sales of food and food ingredients (i.e. pre-packaged foods). All businesses that sell prepared foods must determine whether or not they meet the 75% threshold.

Sponsoring dinners/catering events

Wineries often sponsor or participate in dinners or catered events. If you serve prepared food to or cater for consumers, you are providing a retail service. You must collect retail sales tax on the total charge to customers for meal or catering services. Gross income from catering and meal services is also subject to B&O tax under the Retailing classification.

You must collect sales tax based on the location where you serve the meals.

References

[WAC 458-20-119](#) Sales by caterers and food contractors.

[WAC 458-20-124](#) Restaurants, cocktail bars, taverns and similar businesses.

[WAC 458-20-244](#) Food and food ingredients.

Glassware, accessories, etc.

Glassware, accessories, etc.

In addition to wine and food, wineries often sell tangible personal property such as:

- Glassware.
- Wine accessories (foil and bottle openers, wine charms).
- Clothing.
- Books, cards, posters.

You must collect retail sales tax on sales of tangible personal property to consumers who take delivery in Washington. Additionally, such sales must be reported under the Retailing classification of the B&O tax.

Exemption

Sales of tangible personal property to customers who take delivery at a location outside of Washington are exempt from both Retailing B&O tax and retail sales tax. These sales should be included in the gross amounts reported and then deducted as Interstate and Foreign Sales.

References

[WAC 458-20-193](#) Interstate sales of tangible personal property.

Gratuities

Gratuities

Gratuities received voluntarily are exempt from retail sales tax and Retailing B&O tax. However, when a business adds the gratuity amount to the check, bill, receipt, etc., retail sales tax and Retailing B&O tax apply. When the gratuity is not clearly voluntary, it becomes part of the selling price subject to tax.

For more information please see our [Gratuities](#) tax topics article.

Litter tax

Litter tax

Litter tax is due on manufacturers, wholesalers, and retailers of certain products. Examples of products subject to litter tax include, but are not limited to:

- Wine.
- Food for human or pet consumption.
- Soft drinks and carbonated waters.

Exceptions

Certain retail sales are not subject to litter tax:

- Wine sales delivered by the seller to the buyer at a location outside of the state.
- Sales of food or beverages (such as wine) for immediate consumption indoors at the seller's place of business or at a deck or patio at the seller's place of business, or indoors at an eating area that is next to the seller's place of business.
- Catered meals served on or with reusable dishes and eating utensils.

How do I report?

Litter tax is assessed at a rate of .015% and is based on the selling price. If no charge is made (such as wine donated to a charity), the comparable retail selling price is used. The tax is reported on each Department of Revenue tax return.

References

[WAC 458-20-243](#) Litter tax.

[WAC 458-20-193](#) Interstate sales of tangible personal property.

Manufacturing activities

Manufacturing activities

When you take tangible personal property (grapes) and, by applying labor or skill manually or by machinery, turn the grapes into a new and different product (wine) that will be sold, you are conducting a manufacturing activity.

B&O tax

Income from the sale of wine made from purchased fruit juice or slurry should be reported under the Manufacturing B&O tax classification. This income must also be reported under the Wholesaling or Retailing classification.

Multiple activities tax credit (MATC)

The MATC is a B&O tax credit that is available to manufacturers that file under more than one B&O tax classification on the sale of the same product. A credit is allowed so that B&O tax is only paid once.

To take the credit, you must complete the MATC under Credits when filing your return in MyDOR.

B&O tax exemption

Wine manufactured from fresh fruit is exempt from Manufacturing B&O tax.

Note: This exemption expires on July 1, 2035. It will then be replaced by a reduced B&O tax rate.

For a more information about manufacturing, including sales and use tax exemptions on purchases, see our [Manufacturing Industry Tax Guide](#) and [WAC 458-20-136](#).

References

[RCW 82.04.4266](#) Exemptions-Fruit and vegetable businesses.

[RCW 82.04.260](#) Tax on manufacturers and processors of various foods and by-products.

[WAC 458-20-136](#) Manufacturing, processing for hire, fabricating.

[WAC 458-20-19301](#) Multiple activities tax credits.

Out-of-state wineries: Direct sales to Washington consumers

Out-of-state wineries: Direct sales to Washington consumers

Out-of-state wineries may sell wine directly to Washington consumers. However, the winery must collect the appropriate state and local sales or use taxes from their customers and send the tax to the Department of Revenue.

Registration requirements

Before an out-of-state winery can sell and ship directly to Washington consumers, it must:

- [Register](#) with the Department of Revenue.

- Follow all the requirements administered by the Liquor and Cannabis Board (LCB) including, but not limited to:
 - Obtaining a wine shipper's permit from the LCB.
 - Paying all applicable LCB taxes and permit fees.

For more information, see LCB's [Winery to Consumer Required Forms](#) and [Direct Shipping Laws](#).

Reporting information

Out-of-state wineries that sell and ship directly to Washington consumers must collect either use tax or retail sales tax from their Washington customers regardless of whether they have nexus in Washington. Either the sales or use tax must be collected, but not both.

Sales and use tax rate

Sales and use tax have the same rate and are calculated on the selling price, including all shipping, handling, and delivery charges. The retail sales and use tax rates are based on the location where the products are delivered to your customers in Washington. The department has [sales and use tax tools](#) available to help you calculate the correct rate.

Wineries with nexus

If you have nexus in Washington, you must collect retail sales tax and report [business and occupation \(B&O\) tax](#) under the Retailing classification on your sales delivered to consumers in Washington. You also owe [litter tax](#) on sales of wine and other litter taxable products delivered to customers in Washington.

Wineries do not need to have an office or physical location in the state to have [nexus](#) and be subject to Washington's tax laws. To determine if you have established nexus in Washington, see our [Out of state businesses reporting thresholds and nexus](#) guide.

Wineries without nexus

If you do not have nexus in Washington, you must collect and remit [use tax](#) on sales of wine delivered to customers in Washington. In this case, Retailing B&O tax is not due.

Personal property tax

Personal property tax

Everyone who uses personal property in a business must complete a personal property tax listing form. This listing must be filed with your [county assessor's](#) office by April 30 of each year. Examples of personal property used in conducting business include, but are not limited to:

- Machinery and equipment.
- Computer hardware and software.
- Furniture and fixtures.
- Supplies.

For more information, please see our [Personal Property Tax](#) brochure and our [How my business property is valued](#) web page.

Reseller permits

Reseller permits

Reseller permits are free and will be issued to businesses that make wholesale purchases. The permits allow businesses to purchase items or services for resale without paying retail sales tax. Examples of items a winery might purchase for resale include, but are not limited to:

- Clothing, giftware.
- Pre-packaged food and beverages.
- Maps, posters.
- Artwork, craft wares.
- Paper bags, wine boxes, carrying cases.
- Wrapping paper, pricing labels.

For further information refer to our [Reseller permits](#) web page.

References

[WAC 458-20-102](#) Reseller permits.

Spirits tax

Spirits tax

Generally, spirits tax does not apply to wine. However, spirits tax does apply to wine exceeding 24% alcohol by volume as indicated on the label.

For more information please see our [Spirits \(hard liquor\) liter tax](#) web page.

Tasting rooms

Tasting rooms

Many wineries have tasting rooms. This is a place where potential customers can sample wine before deciding which wine(s) to purchase. Depending on whether or not you charge tasting fees, you will either report retail sales tax and Retailing B&O tax or use tax.

Tasting fee

When wine is pulled from inventory and used for wine pours/tasting and a tasting fee is charged, the tasters are considered the consumers. Tasting fees are a retail sale. You will report these fees under the Retailing B&O and Retail Sales tax classifications.

Sales tax included in tasting fee

Generally, sales tax is required to be separately stated. However, wineries that charge a tasting fee may advertise the posted tasting fee as including sales tax. The words "tax included" should be stated immediately following the advertised price in print size at least half as large as the advertised price print size, unless the advertised price is one in a listed series.

Example backing out the sales tax amount: The total amount received from wine tasting fees at a winery is \$300. The applicable sales tax rate for the winery location is 7.9%. The gross taxable amount subject to sales tax and retailing B&O tax is \$278.04 ($\$300/1.079 = \278.04).

No tasting fee

When wine is pulled from inventory and used for wine pours/tastings and there is **no tasting fee charged**, the winery is considered the consumer. You owe use tax based on the retail value of that particular bottle of wine. The retail value is based on the retail selling price of a like bottle of wine.

References

[WAC 458-20-107](#) Requirement to separately state sales tax-Advertised prices including sales tax.

[WAC 458-20-178](#) Use tax and the use of tangible personal property.

Tax incentive programs

Tax incentive programs

Washington offers over 50 tax incentive programs to eligible businesses. These incentives are to encourage the creation and preservation of family-wage jobs, especially in areas with high unemployment. Programs that may apply to businesses in the wine industry include, but are not limited to:

- Rural county B&O tax credit for new employees.
- High unemployment county sales and use tax deferral program.
- Hiring unemployed veterans.
- [Sales/Use tax exemption for replacement parts for farm machinery & equipment](#).

For more information on these and other incentive programs please visit our [Tax incentive programs](#) page.

Wholesale sales

Wholesale sales

What is a wholesale sale?

Generally, a “sale at wholesale” or “wholesale sale” means a sale of tangible personal property (including articles you produce or manufacture) to a business or person who will resell the articles in the regular course of business or incorporate the article into another product that will be sold.

B&O Tax

Sales of wine or other tangible personal property to persons that will resell the product in the regular course of business are wholesale transactions. When delivered to the buyer in Washington, the gross income from such sales is subject to B&O tax under the wholesaling classification. You must receive a [reseller permit](#) from the buyer to document the wholesale nature of the sale. You are required to keep the documentation for up to five years after the sale.

B&O deduction

Wholesale sales of wine or other tangible personal property that are delivered to the buyer outside of Washington are not subject to B&O tax. The income from such sales must be included in the amount reported for wholesale sales on your tax return, but you should deduct the sale amounts that are delivered out-of-state under the Interstate and Foreign Sales deduction. You must receive a [reseller permit](#) or other [approved exemption certificate](#) from the buyer to keep in your records.

References

[RCW 82.04.060](#) “Sales at wholesale” or “wholesale sale”.

[WAC 458-20-102](#) Reseller permits.

[WAC 458-20-193](#) Interstate sales of tangible personal property.

Wine education and classes

Wine education and classes

Some wineries offer classes such as tasting and evaluating wines, pairing wines, or the winemaking process. How this income is taxable depends on what the customer receives in exchange for the registration fee.

Retail services

Income from classes that include retail services, such as food or wine tasting, is subject to B&O tax under the Retailing classification and you must collect sales tax.

Primarily instructional

Charges for primarily instructional classes, such as wine making or home brewing, that do not include goods or retail services are not subject to sales tax. Gross income from these classes is subject to B&O tax under the Service and Other Activities classification.

References

[RCW 82.04.050](#) “Sale at retail,” “retail sale.”

Wine sales to consumers

Wine sales to consumers

Sales of wine to consumers are subject to B&O tax under the Retailing classification and you must collect sales tax.

B&O and sales tax deduction

Retail sales of wine delivered to the buyer outside of Washington are exempt from B&O tax and sales tax. Income from such sales must be included in the gross amount you report on your tax return, but you may deduct the amounts that are delivered out-of-state under the Interstate and Foreign Sales deduction.

Wine sales to employees by wine distributors

Wine sales to employees by wine distributors

Wine distributors may sell their unopened products directly to their employees. Sales directly to employees must meet *all* of the following requirements:

- The product must be in such condition that it cannot reasonably be sold in the normal course of business. An example is damage to the product label on individual bottles.

- The wines cannot be sold for less than the licensee's cost of acquiring the wine.
- The distributor must collect and submit retail sales tax on all sales delivered to employees (buyers) in Washington. (These sales are also subject to Retailing B&O tax.)
- The employee must be at least 21 years old and must have been employed by the distributor for at least 90 days.

References

[RCW 66.28.180](#) Sales of wine and spirits to the employees of licensed wine and spirits distributors.

Wine tours

Wine tours

Wine and culinary tours are considered day trips for sightseeing purposes, which are retail services. Charges for wine tours and any add-ons for beverages or food are subject to B&O tax under the Retailing classification, and you must collect sales tax.

Location of sale

The retail sales tax rate you charge is based on the location where the participants board the vehicle. You can find the appropriate sales tax rate and location code using our [Tax Rate Lookup](#) tool.

Purchases for resale

You may provide wineries with a [reseller permit](#) for wine tasting fees when you have included them in the amounts charged to your customers.

References

[RCW 82.04.050](#) "Sale at retail," "retail sale."

[WAC 458-20-183](#) Recreational services and activities.

[ETA 3212.2019](#) Day Trips for Sightseeing purposes.

[WAC 458-20-102](#) Reseller permits.