

Deductions

We listed each deduction definition below. If you need more help with reporting deductions, contact us.

Paper filers: You must attach the Deduction Detail page to any tax return on which you take a deduction. If you do not complete and attach the Deduction Detail pages, we can't accept the information and you may be billed for additional taxes, interest, and penalties.

Advancements/Reimbursements,
Returns and Allowances

Amounts Derived from
Distribution of Water through
Irrigation Systems

Amounts Expended to Improve
Consumers' Efficiency of Energy

Amounts Paid to Another for
Services Jointly Provided

Amounts Received by Nonprofit
Water Associations for Capital
Projects

Apportionment (Interstate &
Foreign Sales)

Artistic/Cultural Activities

Bad Debts

Behavioral Health Programs

BPA Credits used for Low-income
Assistance or Weatherization

Cash and Trade Discounts

Casual Sales/Accommodation
Sales

Certain Initiation
Fees/Dues/Contributions

Certain Network Telephone
Service

Paint Stewardship Fee

Paymaster Service from Affiliated
Business

Prescription Drugs/Hearing
Aids/Lenses/Etc.

Prescription Drugs Sold by Publicly
Operated or Nonprofit Hospitals

Propane and Natural gas by Mint
Growers

Purebred Livestock for Breeding

Qualified Nonresident Sales

Qualified Ride-sharing Services

Qualified Washington Health Benefit
Exchange Plans

Qualifying Blood Banks

Radioactive Waste Disposal Fees

Radio/TV Advertising

Reclaimed Water

Rentals from Out-of state dealers

Rentals to Government

Retail Sales Tax Exempt Purchases by
Farmer

Returned / Destroyed Goods

Returns and Allowances

Child Care for Children Under 13,
Under 19 with Verified Special
Need or Under Court Supervision

Clay Targets to Nonprofit Gun
Club

Compliant Carryout Bag Charge

Conservation Expenditure

Consignment Sales

Custom Farming/Farm Services
for Related Party

Dairy, Fresh Fruit/Vegetable, and
Seafood Mfd Products for
Transport Out of State

Dairy Product Used in
Manufacturing of Dairy Product

Dairy and Seafood Manufactured
Products for Transport Out of
State

Deconstruction of Derelict
Vessels

Delivery System Reform Incentive
Payments

Direct Pay Permits

Exempt Agricultural Products by
Distributor

Exempt Food Sales

Exempt Manufactured Products

Farm Hauling for Related Party

Farmworker Housing

Feminine Hygiene Products

Flavor Imparters sold to
Restaurants

Freight on Out-of-State Deliveries

Gambling/Prizes/Cash Pay-Outs

Gases and Chemicals used in
Production of Semiconductor
Materials

Ride Sharing Vans

Sales and Leases of New/Used Clean
Alternative Fuel Vehicles

Sales by a Nonprofit Adaptive
Recreational and Rehabilitation Facility
on Federal Military Reservation

Sales of Automotive Adaptive
Equipment to Disabled Veterans

Sales of Batteries / Infrastructure for
Electric and Hybrid Vessels

Sales of Computer Hardware/Software
Peripherals to Aerospace Industry

Sales of Construction Services for New
Commercial Airplane Manufacturing
Buildings

Sales of Data Center Service/Power
Equipment

Sales of Feed to Eligible Apiarists

Sales of Feed to Fish Farmers

Sales of Honey Bees to Eligible
Apiarists

Sales of Low THC Products by Health
Care Professionals

Sales of Manufacturing
Machinery/Equipment and Installation
Labor

Sales of New Electric Vessels and
Marine Propulsion Systems

Sales of Qualified Ride-sharing
Vehicles

Sales of Solar Machinery/Equipment,
Install Labor

Sales of Spirits

Sales of Zero Emission Buses,
Batteries, Fuel cells, and Infrastructure
for Electric Vehicles

Sales to Electrolytic Processors

Sales to Nonprofit Organizations of
Artistic/Cultural Art Objects for

Gross Sales Tax Collected by Facilitator	Displays
Hog Fuel Used to Produce Electricity, Steam, Heat, or Biofuel	Sales to Other Refuse Collectors
Hydrogen Fuel Cell Vehicles	Sales to Qualified Blood Banks
In-state Sales of Motor Vehicles, Etc. to Nonresidents	Sales to US Government
Interest on Certain Investments, Loans, and/or Obligations	Sales/Repair of Large Private Planes to Non-residents
Interest on Loans to Rural/Nonprof/Govt Utility	Scan-Down Allowances
Interstate and Foreign Sales	Small Timber Harvester
LNG for use as a Transportation Fuel	Standard Financial Information by International Financial Investment Management Companies
Low Density/Wholesale Power Costs	Tax Deferral Investment Certificate Number
Medicaid Quality Improvement Program Incentive Payments	Tax in Gross
Medical Endorsed Retailer - Sales of High CBD Compliant Cannabis Products	Taxable Amount for Tax Paid at Source
Medical Endorsed Retailer - Sales of Cannabis and Low-THC Products to Patients with Recognition Cards	Trade-In Allowance
Motor Vehicle Fuel Sales	Tribal Tax-Exempt Sales with Delivery in Indian Country
Motor Vehicle Fuel Tax	Tribal Fishing, Hunting, and Gathering
Newspapers	University Managed County Hospital
No Local Activity	Use Tax Notice Election by Sellers
Nonprofit Salmon Recovery Grants	Wax/Ceramic Materials to Create Castings
Other	

Advancements/Reimbursements, Returns and Allowances

Amounts received as advancement or reimbursement when the customer or client alone is liable to pay for the procurement of goods and services. The taxpayer making the payment cannot have primary or secondary liability, other than as agent, to pay for the goods and services. See returns and allowances. WAC 458-20-111; WAC 458-20-108

Amounts Derived from Distribution of Water through Irrigation Systems

Amounts derived from the distribution of water through an irrigation system, solely for irrigation purposes. WAC 458-20-179

Amounts Expended to Improve Consumers' Efficiency of Energy

Amounts expended to improve consumers' efficiency of energy use, or to otherwise reduce the use of electrical energy or gas by consumers, provided the installations of the measures to improve the efficiency were begun after June 12, 1980 and before January 1, 1990. WAC 458-20-17901

Amounts Paid to Another for Services Jointly Provided

Amounts paid to a subcontractor of a public utility service that is jointly provided. This deduction is available to prime contractors of public utility services. Sellers of public utility commodities (gas, water, and electrical power) may also take a deduction under the *Other* line for sales for resale. Write "for resale" on the *Other* line. WAC 458-20-179

Amounts Received by Nonprofit Water Associations for Capital Projects

To qualify for this deduction, the income must be derived from the distribution of water **and** be used for capital improvements. Amounts which meet only one of these conditions are not deductible. WAC 458-20-179

Amounts Received for Distribution to Eligible Behavioral Health Programs

This B&O tax deduction applies to health and welfare organizations (RCW 82.04.431) and to behavioral health administrative services organizations (RCW 71.24.025).

1. Health or social welfare organizations may deduct amounts received for providing mental health services or substance use disorder treatment services under a government-funded program.

2. Behavioral health administrative service organizations may deduct amounts received from the state of Washington for distribution to a health or social welfare organization who qualify for the above deduction (bullet 1).

Apportionment (Interstate & Foreign Sales)

Income subject to the service and other activities classification, the royalties classification, and other apportionable income B&O classifications must apportion income between states and/or countries. Apportionment guide; WAC 458-20-19401

Artistic/Cultural Activities

Activities conducted by qualifying artistic or cultural organizations are not subject to B&O tax. WAC 458-20-249

Bad Debts

Amounts previously reported and determined to be noncollectable. These amounts must also be written off for IRS purposes. The bad debt credit or deduction is limited to the original retail seller. See Bad Debt Tax Credit. WAC 458-20-196.

BPA Credits used for Low-income Assistance or Weatherization

Amounts received from the Bonneville Power Association (BPA) for low-income ratepayer assistance and weatherization programs. The amounts may be received as credits against contracts or refunds.

This exemption expires Jan. 1, 2031. (SB 5008, Chapter 226, Laws of 2021)

Cash and Trade Discounts

The amount of the discount may be deducted from the gross proceeds of sales if such amount was previously reported. Discounts are typically used as incentives for early payment. WAC 458-20-108

Casual Sales/Accommodation Sales

Casual sales consist of amounts received for sales of tangible personal property by persons not usually selling such items.

Note: The seller must collect and remit the sales tax. Accommodation sales are amounts received by a business for selling goods at cost to a like business to fill an existing order. WAC 458-20-106; WAC 458-20-208

Certain Initiation Fees/Dues/Contributions

Bona fide initiation fees and membership dues received by a business for which no goods or services are received and only give the payee the right to be a member. Contributions that are given as outright gifts for which no goods or services are received can also be deducted. RCW 82.04.4282

Certain Network Telephone Service

Amounts for network telephone service, other than toll service, for residential customers and network telephone service paid for by using coins in a coin-operated telephone. WAC 458-20-245

Child Care for Children Under 13, Under 19 with Verified Special Need or Under Court Supervision

Amounts received by businesses primarily (more than 50%) engaged in providing child care, for the care and supervision for periods of less than 24 hours of children that are either:

- Under 13 years of age.
- Under 19 years of age who have a verified special need or are under court supervision as determined by the department of children, youth, and families under chapter 43.216 RCW.

Clay Targets by Nonprofit Gun Clubs

Exemption expired July 1, 2017

Clay targets purchased by nonprofit gun clubs are exempt from retail sales and use tax when the targets are used in providing the activity of clay target shooting for a fee. This tax preference is subject to public disclosure 24 months after it was claimed. RCW 82.08.205; RCW 82.12.205

Compliant Carryout Bag Charge

This deduction is only available for retail businesses that collect the Compliant Carryout bag charge from their customer when they provide their customer with carryout bags. This deduction is limited to the amount required to be collected under RCW 70A.530.020. RCW 82.04.770

Conservation Expenditure

Water distribution businesses with a water system plan that includes plans for water conservation may deduct 75 percent of the amounts expended for water conservation. The plan must be filed with the Department of Health. (ESHB 1832, Chapter 237, Laws of 2001)

Consignment Sales

Sales of consigned goods when the seller collects and remits the retail sales tax. WAC 458-20-159

Custom Farming/Farm Services for Related Party

Deduction Effective: July 1, 2022

Income received for performing custom farming services for a farmer is exempt from B&O tax, when the person performing the custom farming services is:

- An eligible farmer.
- At least 50 percent owned by an eligible farmer.

Additionally, income received for performing one or any combination of the following farming services for an eligible farmer, or a person performing custom farming services, is exempt from B&O tax when the person performing the service and the farmer, or custom farmer receiving the service, are related:

- Farm management services
- Contract labor services
- Services provided to animals that are defined as agricultural products in RCW 82.04.213.

For more information, please see Special Notice – Custom Farming Exemption

Dairy, Fresh Fruit/Vegetable, and Seafood Manufactured Products for Transport Out of State

Selling dairy, fresh fruit/vegetable, or seafood products manufactured and sold by the manufacturer at wholesale to a customer that transports the product outside this state in the normal course of business. Web pages:

- Dairy products manufacturers' B&O tax exemptions.
- Fresh fruit or vegetable manufacturers' B&O tax exemptions.
- Seafood products manufacturing and selling B&O tax exemptions.

Dairy Products Used in Manufacturing of Dairy Products

Selling dairy products manufactured and sold by the manufacturer at wholesale to a customer who uses the dairy products as an ingredient or component in the manufacturing of another dairy product in Washington. Web page:

- Dairy products manufacturers' B&O tax exemptions.

Dairy and Seafood Manufactured Products for Transport Out of State

Selling dairy or seafood products manufactured and sold by the manufacturer at retail to a customer that transports the product outside this state in the normal course of business. Web pages:

- Dairy products manufacturers' B&O tax exemptions.
- Seafood products manufacturing and selling B&O tax exemptions.

Deconstruction of Derelict Vessels

Beginning October 1, 2014, vessel deconstruction activities are exempt from retail sales and use taxes. The sales tax exemption only applies to deconstruction facilities holding the required permit. RCW 82.08.9996

Delivery System Reform Incentive Payments / Medicaid Transformation Funding

You may take a business and occupation (B&O) tax deduction for Delivery System Reform Incentive Payments (DSRIP), Medicaid Transformation Funding, or both if you are one of the following:

- Accountable community of health that receives DSRIP, Medicaid Transformation Funding, or both from the Washington Healthcare Authority.
- Hospital owned by a municipal corporation or political subdivision.
- Hospital affiliated with a state institution.

See our Tax Topics article on Medicaid incentive payments for more information.

Direct Pay Permits

The Department of Revenue allows certain purchasers to pay use tax directly to the Department rather than to their vendors at the time of purchase. Businesses must present a copy of the Direct Pay Permit to the vendor. Vendors must retain a copy of the permit in their files to document the exempt sale. Sales should be reported under the Retailing and Retail Sales Tax classification. Identify the retail sales tax deduction on the deduction detail page of the tax return as "Direct Pay Permits." Not allowed against Retailing B&O. Special Notice – Certain Taxpayers To Pay Use Tax Directly to the Department of Revenue

Exempt Agricultural Products by Distributor

Effective October 19, 2017, the law exempts certain sales of fertilizer, crop protection products and seeds between eligible distributors and eligible retailers from B&O tax when there is a specified percentage of common ownership between the distributor and retailers. RCW 82.04.628

Exempt Food Sales

Sales of food and food ingredients are exempt from retail sales tax. However, prepared foods, dietary supplements, and soft drinks are taxable. To review food definitions, see Special Notices. RCW 82.08.0293; WAC 458-20-244

Exempt Manufactured Products

Manufacturing dairy, fresh fruit/vegetables, or seafood products. RCW 82.04.4266; RCW 82.04.4268; RCW 82.04.4269

Farm Hauling for Related Party

Deduction Effective: July 1, 2022

Income received for hauling agricultural products, farm machinery, or equipment for a farmer or person performing custom farming services is exempt from public utility tax (PUT) when the person performing the hauling and the farmer or custom farmer receiving the service are related.

For more information, please see Special Notice – Custom Farming Exemption

Farmworker Housing

In order to claim this exemption, the following conditions must be met:

- At least 50% of the housing units in the development are used as farmworker housing.
- If the farmworker housing is provided on a year-round basis, the single-family or multifamily dwellings must be built according to the state code (Chapter 19.27 RCW).
- Farmworker housing must be used for at least five consecutive years from the date the housing is approved for occupancy. RCW 82.08.02745; Special Notice - Farmworker housing sales and use tax exemptions.

Feminine Hygiene Products

Sales of feminine hygiene products are exempt from retail sales tax. RCW 82.08.798.

Flavor Imparters Sold to Restaurants

Exemption expired July 1, 2017

From October 1, 2013 through June 30, 2017 restaurants could take a sales tax exemption for purchases of the following items:

- Items used to flavor food that are completely or substantially consumed by combustion during the cooking process (e.g. wood chips, charcoal, charcoal briquettes, grape vines, etc.).
- Items comprised entirely of wood that support the food during the cooking process (e.g. cedar, maple or alder grilling planks)

For more information please see our Special Notice.

Freight on Out-of-State Deliveries

Freight and delivery costs incurred by a Washington manufacturer for out-of-state shipments. WAC 458-20-112

Gambling/Prizes/Cash Pay-Outs

Amounts paid out or value of merchandise given as prizes in games of chance. WAC 458-20-131

Gases and Chemicals Used in Production of Semiconductor Materials

An exemption from retail sales and use tax is provided to manufacturers and processors for hire on purchases of gases and chemicals used to produce semiconductor materials. Manufacturers of silicon solar wafers, silicon solar

cells, thin film solar devices, solar grade silicon, or compound semiconductor solar wafers also qualify for this exemption. RCW 82.08.9651; RCW 82.12.9651; WAC 458-20-267

Gross Sales Tax Collected by Facilitator

Marketplace sellers may claim a retail sales tax deduction for sales where a marketplace facilitator collects and pays Washington sales tax on their behalf. Marketplace sellers owe retailing B&O tax on these sales. See Marketplace sellers.

Hog Fuel Used to Produce Electricity, Steam, Heat, or Biofuel

Purchases of hog fuel used to produce electricity, steam, heat, or biofuel are exempt from Retail Sales and Use Tax. "Hog fuel" is defined as wood waste and other wood residuals including forest-derived biomass. Hog fuel does not include firewood or wood pellets.

Hydrogen Fuel Cell Vehicles

For sale or lease of a qualifying new or used electric hydrogen fuel cell vehicle.

Interest on Certain Investments, Loans, and/or Obligations

Interest received on investments or loans primarily secured by first mortgages or trust deeds on nontransient residential properties. Interest received on obligations of the state of Washington, its political subdivisions, and municipal corporations. Interest received on direct obligations of the federal government. (Interest attributable to loans or other financial obligations on which the federal government is merely a guarantor or insurer does not qualify.) WAC 458-20-146; WAC 458-20-14601

In-state Sales of Motor Vehicles, Etc. to Nonresidents

This deduction only applies to sales of motor vehicles, campers, trailers, watercraft, farm machinery, and vessels. To claim the deduction, you must retain the appropriate sales tax exemption certificate for the type of property you sell.

Note: Sales of other tangible personal property is no longer exempt at the point of sale. Please see the Sales tax exemption for nonresidents information.

Interest on Loans to Rural/Nonprofit/Governmental Utility

Deduction Effective July 1, 2023

Cooperative finance organizations may deduct amounts received from loans to rural electric cooperatives or other nonprofit or governmental utility service providers.

(SB 5166 Chapter 317, Laws of 2023).

Note: This deduction expires Jan. 1, 2034, however, the Legislature intends to extend the expiration date if at least one in-state cooperative financing organization uses the deduction.

Interstate and Foreign Sales

Goods sold and delivered to customers outside of Washington or transportation of persons or goods across state or international boundaries. Documentation is necessary.

Note: Manufacturers and extractors who sell outside of Washington must report under manufacturing [07], or extracting classifications [16]; this deduction is not valid for those classifications. WAC 458-20-193; 458-20-193C

LNG for use as a Transportation Fuel

This deduction from retail sales tax is available to distributors and manufacturers of natural gas sold in a liquefied state. This gas must be used as transportation fuel by a business operating as private or common carriers by water in interstate or foreign commerce. Special Notice – Compressed Natural Gas and Liquefied Natural Gas Used a Transportation Fuel; RCW 82.08.0261 (2) (a). Exemption form for purchasing CNG or LNG for transportation fuel use.

Low Density/Wholesale Power Costs

This applies only to those light and power businesses with retail power rates exceeding the state average power rates. RCW 82.16.053

Medicaid Quality Improvement Program Incentive Payments

You may take a business and occupation (B&O) tax deduction for Medicaid Quality Improvement Program Incentive Payments if you are one of the following:

See our Special Notice - Medicaid incentive payments business and occupation tax deductions expanded and Tax Topics article on Medicaid incentive payments for more information.

Medical Endorsed Retailer – Sales of High CBD Compliant Cannabis Products

A retail sales tax exemption is allowed for sales of high-CBD compliant cannabis products by cannabis retailers with a medical endorsement to all consumers.

Medical Endorsed Retailer – Sales of Cannabis and Low-THC Products to Patients with Recognition Cards

A retail sales tax exemption is allowed for sales of certain cannabis and low-THC products by cannabis retailers with a medical endorsement to qualifying patients and designated providers with recognition cards.

Motor Vehicle Fuel Sales

Sales of gasoline, diesel, and other fuels.

Note: Only sellers of fuel may take this deduction. WAC 458-20-126

Motor Vehicle Fuel Tax

The selling price of motor vehicle fuel includes state and federal fuel taxes. B&O tax does not apply to these taxes. This deduction allows the wholesaler or retailer to exclude fuel taxes.

Note: Only sellers of fuel may take this deduction. See Motor vehicle fuel tax rates. WAC 458-20-126

Newspapers

Sales of newspapers are not subject to sales tax. This does not include publications that are bound and/or stapled. WAC 458-20-143

No Local Activity

Sales made in Washington by an out-of-state seller without activities in Washington, which establish, maintain or facilitate a market for its products or services. This also includes sales of consumer products made to or through a direct seller's representative. WAC 458-20-193; 458-20-246

Nonprofit Salmon Recovery Grants

Amounts received by a nonprofit organization from the United States or any of its instrumentalities, the State of Washington or any of its municipal corporations or political subdivisions, or an Indian tribe as defined in RCW 43.06.523, as salmon recovery grants (RCW 82.04.4339; ESB 5220, Chapter 143, Laws of 2021).

Note: Reference for new section under RCW 82.08 to replace bill once known.

Other

Most allowable deductions are listed on the Deduction Detail sheet. Your business, however, may have a specific deduction allowed by law that is not listed. Please refer to the statute governing your type of business, or call your local Revenue office to ensure the deduction is valid. Invalid deductions will be disallowed. Use of the *Other* deduction line requires appropriate documentation or explanation. A 'resale' deduction is not valid under retail sales tax. Report amounts sold for resale under the wholesaling classification of the B&O tax. Also, there are no deductions for labor, materials, or any other costs of doing business.

Paint Stewardship Fee

This B&O deduction is available to sellers of architectural paint. The paint stewardship fee is a fee assessed on sales of architectural paint in containers of 5 gallons or less, to establish a program for unused paint.

Note: This fee is administered by Department of Ecology and not the Department of Revenue. RCW 82.04.765

Paymaster Service from Affiliated Business

A qualified employer of record (paymaster) that provides payroll and related human resources services for an affiliated business may take a deduction from gross income for amounts received to cover employee costs of a qualified employee. A qualified employer of record or paymaster is a person who:

A qualified employer of record may have statutory or common law liability to the qualified employees or to third parties for employee costs.

A qualified employer of record must be under common control with the affiliated business. "Common control" means the possession, directly or indirectly, of more than fifty percent of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract, or otherwise. This tax preference is subject to public disclosure 24 months after it was claimed.

Prescription Drugs/Hearing Aids/Lenses/Etc.

Sales of the above items for human use are exempt from sales tax when the buyer presents a prescription. WAC 458-20-18801

Prescription Drugs Sold by Publicly Operated or Nonprofit Hospitals

Sales of prescription drugs by religious or charitable nonprofit organizations operating kidney dialysis facilities, certain nursing homes, and homes for unwed mothers. WAC 458-20-168

Propane and Natural Gas by Mint Growers

Exemption expired July 1, 2017

Mint grower purchases of liquid propane and natural gas used to distill mint on a farm are exempt from sales and use tax. This tax preference is subject to public disclosure 24 months after it was claimed. RCW 82.08.220; RCW 82.12.220; WAC 458-20-210

Purebred Livestock for Breeding

Sales of purebred livestock for breeding purposes where the animals are registered with a nationally recognized breed association. Sellers must receive and retain an exemption certificate from the buyer. See the Farmers' Certificate for Wholesale Purchases and Sales Tax Exemption. WAC 458-20-210

Qualified Nonresident Sales

Deduction expired Jun. 30, 2019

Sales of tangible personal property for use outside of Washington by residents of: Alaska, American Samoa, Alberta, Colorado, Delaware, Montana, New Hampshire, Northwest Territories, Nunavut, Oregon, and Yukon Territory. Tax exempt sales to these residents are at the discretion of the seller.

Note: When making tax exempt sales, the seller must see photo identification, such as a driver's license, issued by the buyer's state of residence. The seller must also record certain information. This exemption only applies to sales of goods which will not be used in Washington. It does not apply to lodging, restaurant meals, or other sales which involve consumption in Washington. See Excise Tax Advisory (ETA) 3054.2011.

Qualified Washington Health Benefit Exchange Plans

Amounts received by a health care provider for services covered by a qualified health plan offered under RCW 41.05.410 are exempt from B&O tax. For purposes of this deduction, qualified health plan refers to the public option plan. These plans must include "Cascade Select" in the name of the plan. Additionally, the subscriber ID number must start with the letters BT. See RCW 82.04.321.

Qualifying Blood Banks

A business and occupation (B&O) tax exemption is available to qualifying for amounts they receive that are exempt from federal income tax. (RCW 82.04.324)

Qualified Ride-sharing Services

To qualify for this deduction, funds received must be in the course of ride sharing or ride sharing for persons with special transportation needs in accordance with RCW 46.74.010.

Radioactive Waste Disposal Fees

There is a deduction available to you on certain fees (Chapter 43.200 RCW, RCW 82.04.260, RCW 43.145.010)

Note: Only select taxpayers who report income under the Radioactive Waste Disposal B&O tax classification use this deduction.

Radio/TV Advertising

Network, national, or regional advertising income received by an individual broadcasting station. WAC 458-20-241

Reclaimed Water

Municipalities and businesses operating with permits filed with the Department of Ecology for reclaimed water may deduct 75 percent of their gross income. (ESHB 1832, Chapter 237, Laws of 2001)

Rentals from Out-of-state Dealers

Deduction effective Jan. 1, 2022

This deduction only applies to rentals of heavy equipment rental property from rental locations outside of Washington to consumers in this state. (RCW 82.51.030(2)). See our Special Notice - Heavy equipment rental tax.

Rentals to Government

Deduction effective Jan. 1, 2022

This deduction is available for rentals of heavy equipment rental property to the U.S. Government, the state of Washington and its political subdivisions, and municipal corporations. (RCW 82.51.030(1)). See our Special Notice - Heavy equipment rental tax.

Retail Sales Tax Exempt Purchases by Farmer

Eligible farmers may purchase replacement parts for farm machinery and equipment without paying retail sales tax, starting July 1, 2006. Before claiming the exemption, farmers must apply to the Department of Revenue for an exemption certificate. Purchases made before July 1, 2006 are subject to sales or use tax. (Substitute House Bill (SHB) 2457, Chapter 172, Laws of 2006). See Updated Special Notice - Replacement Parts for Farm Machinery and Equipment - Sales and Use Tax Exemption.

Returned / Destroyed Goods

This is a deduction for tobacco products that are destroyed or returned to the manufacturer, on which the tax was previously paid.

Returns and Allowances

Amount of the sales price on which sales tax has been returned or credited to the purchaser. WAC 458-20-108

Ride Sharing Vans

Sales of passenger motor vehicles which are to be used as ride-sharing vehicles. RCW 82.08.0287

Sales and Leases of New/Used Clean Alternative Fuel Vehicles

For sale or lease of a qualifying new or used clean alternative fuel, and plug-in hybrid vehicle. Special Notice - New clean alternative fuel and plug-In hybrid vehicle sales/use tax exemptions

Note: An additional addendum is required when taking this deduction.

Sales by a Nonprofit Adaptive Recreational and Rehabilitation Facility on Federal Military Reservation

Amounts received from sales on a military reservation by a nonprofit that operates an adaptive recreation and rehabilitation facility that services disabled veterans and members of the armed forces. See RCW 82.04.665 and RCW 82.08.665.

Sales of Automotive Adaptive Equipment to Disabled Veterans

Sales of add-on automotive adaptive equipment prescribed by a physician to a disabled veteran or a disabled member of the armed forces are exempt from retail sales tax and/or use tax. Labor and services charges incurred for installing and repairing the equipment is also exempt from retail sales and/or use tax.

Sales of Batteries / Infrastructure for Electric and Hybrid Vessels

A retail sales and use tax exemption is allowed for the purchase of batteries, battery packs, shoreside battery infrastructure, and retail services related to the installation or repair of such property used to power electric marine propulsion systems or hybrid electric marine propulsion systems with a continuous power greater than fifteen kilowatts.

Sales of Computer Hardware/Software Peripherals to Aerospace Industry

A retail sales and use tax deduction is allowed on purchases of computer hardware, software, and computer peripherals, and charges for labor and services related to the installation of such equipment. The exemption is only available to manufacturers and processors for hire of commercial airplanes or

component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers. RCW 82.08.975; RCW 82.12.975

Sales of Construction Services for New Commercial Airplane Manufacturing Buildings

Retail sales tax does not apply to charges of labor and services provided during building construction by:

The sales tax exemption applies to:

The business must provide the seller with a completed exemption certificate.

Sales of Data Center Service/Power Equipment

Sales to qualifying businesses and to qualifying tenants of eligible server equipment to be installed, without intervening use, in an eligible computer data center, and to charges made for labor and services rendered in respect to installing eligible server equipment. The exemption also applies to sales to qualifying businesses and to qualifying tenants of eligible power infrastructure, including labor and services rendered in respect to constructing, installing, repairing, altering, or improving eligible power infrastructure. RCW 82.08.986; Special Notice - Sales and Use Tax Exemption for Rural Data Centers Expanded; Special Notice - Sales and Use Tax Exemption for Nonrural Data Centers.

Sales of Feed to Eligible Apiarists

A deduction from retail sales and use tax for the purchase of feed used by an eligible apiarist in the raising of a bee colony used to make honey products.

Sales of Feed to Fish Farmers

Sales of feed to fish farmers. Sellers must receive a resale certificate from the buyer. WAC 458-20-102; WAC 458-20-210

Sales of Honey Bees to Eligible Apiarists

A retail sales and use tax deduction for the sales of bees to an eligible apiarist. To document the exempt purchases, the eligible apiarist (buyer) must provide the seller a properly completed Buyer's Retail Sales Tax Exemption Certificate at the time of purchase.

Sales of Low-THC Products by Health Care Professionals

Starting July 1, 2016, sales and donations of topical, nondigestible low-THC products by certain health care professionals to qualifying patients are exempt from sales tax.

Sales of Manufacturing Machinery/Equipment and Installation Labor

Sales and leases of machinery and equipment, including repair and replacement parts with a useful life in excess of one year, to manufacturers and processors for hire for direct use in manufacturing operations. This exemption includes charges for installation, labor and services. Sellers must obtain a Manufacturer's Sales and Use Tax Exemption Certificate for Manufacturing Machinery and Equipment from the buyer. WAC 458-20-13601

Sales of New Electric Vessels and Marine Propulsion Systems

For sales of new battery-powered electric marine propulsion systems with continuous power greater than 15 kW and new vessels equipped with battery-powered electric marine propulsion systems with continuous power greater than 15 kW.

Sales of Qualified Ride-sharing Vehicles

A retail sales tax deduction for the sale of ride-share vehicles. To document exempt purchases, an eligible buyer must provide the seller a properly completed Buyer's Retail Sales Tax Exemption Certificate at the time of purchase. For more information, see our Special Notice – Ride-share vehicles.

Sales of Solar Machinery/Equipment, Installation Labor

A retail sales and use tax deduction is allowed for the purchase of machinery and equipment used by certain facilities to generate electricity or produce thermal heat.

Sales of Spirits

The general retail sales tax imposed under RCW 82.08.020 does not apply to the sale of spirits in their original container. RCW 82.08.150(8)

This deduction is limited to the sale of spirits in their original container. This is not a valid deduction for sales of poured drinks containing spirits for on-premises consumption. Poured drink spirits sales are subject to the retail sales tax under RCW 82.08.020.

The amount reported under this deduction classification should not be included in other Retail Sales tax deductions.

Sales of Zero Emission Buses, Batteries, Fuel cells, and Infrastructure for Electric Vehicles

For sales and installation of batteries/fuel cells for electric vehicles, installation of battery/fuel cell electric vehicle infrastructure (including renewable hydrogen production facilities and hydrogen fueling stations), tangible personal property that will become a component of battery/fuel cell electric vehicle infrastructure during the course of installing, constructing, repairing, or improving, and the sale of zero emission buses. RCW 82.08.816 and RCW 82.12.816.

Sales to Electrolytic Processors

For the sale of power to an Electrolytic Processor. An Electrolytic Processor is a person who is engaged in a business that uses more than ten average megawatts of electricity per month in a chlor-alkali electrolytic process to split the electrochemical bonds of sodium chloride and water to make chlorine and sodium hydroxide. Does not include direct service industrial customers or their subsidiaries that contract for the purchase of power from the Bonneville power administration. RCW 82.16.0421.

Sales to Nonprofit Organizations of Artistic/Cultural Art Objects for Displays

Purchases of art objects or property by artistic or cultural organizations for use in displaying art objects or providing exhibitions are exempt from sales tax. The seller must obtain a Buyers Retail Sales Tax Exemption Certificate from the buyer. WAC 458-20-249

Sales to Other Refuse Collectors

Persons who collect the refuse collection tax and who, themselves, use the services of others for the transfer, storage, or disposal of the waste collected are not required to again pay the tax to such other service providers. The refuse collection business must provide the other refuse service provider with a refuse collector's exemption certificate. WAC 458-20-250

Sales to Qualified Blood Banks

Nonprofit blood and tissue banks are exempt from retail sales and use tax on purchases of medical supplies, chemicals and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles. RCW 82.08.02805; RCW 82.12.02747

Sales to US Government

Sales of tangible personal property or labor to repair or install tangible personal property for the U.S. Government, its institutions, departments, and industries. WAC 458-20-190; WAC 458-20-250; Tax Topic: How to document United States government purchases

Sales/Repair of Large Private Planes to Non-residents

This exemption applies to sales of, or labor and services rendered in repairing, cleaning, altering, or improving large private airplanes owned by nonresidents of this state. RCW 82.08.215

Scan-Down Allowances

Amounts received as scan-down allowances on food and food ingredients for human and pet consumption when no additional services (for example advertising or product placement) are required.

Small Timber Harvester

Small Harvesters may deduct up to one hundred thousand dollars per tax year from their gross receipts or value of products proceeding or accruing from timber harvested. Amounts above the one hundred thousand dollars remain subject to B&O tax. This deduction is allowed under the Extracting Timber B&O and Wholesaling of Timber or Wood Products B&O tax classifications, under the Small Harvester. RCW 84.33.035, and WAC 458-20-13501.

Standard Financial Information by International Financial Investment Management Companies

Qualifying international investment management service companies (IIMS) are exempt from sales and use taxes when they purchase or use standard financial information. The purchases are exempt regardless of how the information is transmitted to the buyer:

A buyer may claim the exemption on no more than \$15 million in purchases per calendar year. This tax preference is subject to public disclosure 24 months after it was claimed. RCW 82.08.207; RCW 82.12.207; WAC 458-20-15503

Tax Deferral Investment Certificate Number

Sales to persons approved for sales tax deferral by the Department of Revenue. Sellers must keep a copy of the purchaser's deferral certificate. RCW 82.60; RCW 82.61; RCW 82.63

Tax in Gross

Used to "back out" the amount of retail sales tax included in the gross amount reported on Retailing [02] and Retail Sales [01] only if the gross amount includes retail sales tax.

Taxable Amount for Tax Paid at Source

Amount on which sales tax was previously paid on goods purchased for resale without intervening use. WAC 458-20-102

Trade-In Allowance

Sales tax does not apply to the value of property traded in on the purchase of property of the same kind. B&O tax does apply to that value. WAC 458-20-247

Tribal Tax-Exempt Sales with Delivery in Indian Country

Sales delivered in Indian Country (e.g. reservation and trust land) to a tribe or an enrolled member of that tribe. A seller making a tax-exempt sale to a tribal customer must document to whom the sale is made (e.g. verify tribal ID or tribal-issued document) and that the seller, its employees, or a for-hire carrier acting as the seller's agent, delivered the goods to, or performed services in, the tribal customer's Indian Country. Copies should be kept by the seller. WAC 458-20-192(5); Retail sales tax exemption form: Tax Exemption for Sales to Tribes.

Tribal Fishing, Hunting, and Gathering

Sales of retail goods and services directly used in tribal fishing, hunting, and gathering activities. Delivery may occur anywhere in the state. A seller making a tax-exempt sale to a tribal customer must document to whom the sale is

made (e.g. verify tribal ID or tribal-issued documentation) and what is sold. Copies should be kept by the seller. WAC 458-20-192(6)(b); Retail sales tax exemption form: Tribal fishing, hunting and gathering.

University Managed County Hospital

Starting July 1, 2019, B&O tax does not apply to a hospital doing business in this state that meets all three of the following requirements:

- Hospital owned by a municipal corporation or political subdivision.
- Hospital affiliated with a state institution.
- Managed care organization as defined in RCW 74.60.010.

This exemption expires Jan. 1, 2030. (SHB 2168, Chapter 451, Laws of 2019)

Use Tax Notice Election by Sellers

Marketplace sellers may claim a retail sales tax deduction for sales where they (or a marketplace facilitator) will notify their customers of Washington's use tax reporting requirements. Marketplace sellers owe retailing B&O tax on these sales. See use tax notice and reporting penalties.

Wax/Ceramic materials to create castings

Sales of wax or ceramic materials used to create molds consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications are exempt from retail sales and use tax. Labor and services used to create patterns and shells used as molds also qualify. RCW 82.08.983; RCW 82.12.983



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