Opportunity to dance

Right now, charges for providing consumers with the opportunity to dance are not subject to retail sales tax. The income received from those charges, usually called “cover charges”, is subject to the service and other activities business and occupation (B&O) tax. However, before HB 1550 passed, this treatment was temporary in nature - the treatment was scheduled to expire on July 1, 2017. On that date, cover charges would have reverted back to being a retail sale, subject to retail sales tax for consumers.

How HB 1550 affects cover charges

The legislation removed charges for providing an opportunity to dance from the definition of retail sale found in RCW 82.04.050. On January 1, 2016 the income will permanently be subject to the service and other activities B&O tax classification found in RCW 82.04.290 (2)(a). Night clubs and other venues that offer dancing will not need to charge retail sales tax on entry fees as was originally scheduled to begin in July of 2017.

What is an opportunity to dance?

An opportunity to dance means that an establishment, usually a night club or restaurant, provides a designated physical space, on either a temporary or permanent basis, where customers are allowed to dance and the establishment either advertises or otherwise makes customers aware that it has an area for dancing.

What is a cover charge?

A cover charge means a charge, regardless of its label, to enter an establishment and the purchaser is provided the opportunity to dance. This includes cash paid at the door for entry, or amounts added to the purchaser’s bill, or amounts otherwise collected after entrance to the establishment and the purchaser is provided the opportunity to dance in exchange for payment of the charge.

Questions regarding this change in the law? Submit them here.