

Buying the assets of a business

When buying the assets of a business, some are subject to sales or use tax, while others are not.

Items subject to retail sales tax

The following items (tangible personal property) are subject to sales tax:

- Capital assets such as machinery and equipment, office furniture, and vehicles.
- Consumable supplies such as office supplies, stationery, forms, canned software, and magazines.

Sales tax should be collected by the seller and then paid to the department. If the seller does not collect the sales tax, then the buyer must pay use tax directly to the department on the tangible personal property acquired in a business purchase.

Items not subject to retail sales tax

The following items are not subject to sales tax:

- Real estate.
- Inventory, if the buyer intends to resell it (the buyer must give a reseller permit to the seller).
- Machinery and equipment for manufacturing use, (the buyer must give the seller an M&E exemption certificate).
- Intangible assets such as good will, stocks and bonds, etc.

Successor liability: Buyer beware

As the buyer of a business, you could be liable for the unpaid taxes of the business. You may complete a Successorship Notice form (pdf) and provide it to the Department of Revenue to reduce your exposure to these tax liabilities. However, a successor could still be liable for unpaid taxes if the department issues an assessment within six months after receiving this form and the predecessor does not pay its tax liabilities.

A buyer may also require the seller to provide a Tax Status letter, which will indicate any outstanding taxes owed by the business. The buyer may be required to withhold any outstanding taxes from the purchase. The buyer will then pay the tax to the Department of Revenue.

References:

RCW 82.32.140(4)

WAC 458-20-216



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