

# Advertising - Tax included in price

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## Should sales tax be listed separately on receipts?

Yes. Washington sellers are required to list the retail sales tax separately from the selling price on any invoice, customer billing receipt, or any other contract of sale. This is required even when the seller and the buyer agree that the advertised price includes retail sales tax.

## Can a seller advertise that tax is included in the selling price?

Yes. Washington sellers can advertise that sales tax is included in the price of their goods, or that the seller is paying the sales tax.

## Are there requirements for advertising that tax is included in the selling price?

Yes. The following conditions must be met to include the sales tax in the selling price:

- The words "tax included" must be listed next to the advertised price. The print size would need to be at least half as large as the advertised price.
- If the advertising prices are listed for a group of products, the words "tax included in all prices" should be listed before the advertising price and in the same print size.
- If the price is advertised as "tax included," the price tag should also show that tax is included.
- All advertised prices and the words "tax included" are stated in the same medium, whether oral, or visual, and if oral, in substantially the same inflection and volume.

If the conditions listed above are met, then price lists, reader boards, menus, and other price information methods do not need to show the item price and separately state the amount of sales tax charged.

## How do I calculate the tax amount if it's included in the total selling price?

To "back out" the sales tax amount from the advertised price, you would simply divide the total price (which includes the sales tax) by 1 plus the sales tax rate.

### Example:

- XYZ shoe shop is located in Cheney. XYZ has shoes that are being advertised as \$100.00 tax included.
  - The sales tax rate for Cheney is 8.9%.
- To calculate the selling price of the shoes, you would divide  $\$100.00 / 1.089 = \$91.83$
- The sales receipt should show:

|                    |          |
|--------------------|----------|
| <b>Shoes</b>       | \$91.83  |
| <b>Sales tax</b>   | \$8.17   |
| <b>Total price</b> | \$100.00 |

- On the XYZ's excise tax return, they would include the gross amount of \$91.83 under the retailing business and occupation (B&O) tax and retail sales tax.
- For this sale, the seller would pay **\$0.43** ( $\$91.83 \times .00471$ ) for retailing B&O tax, and **\$8.17** ( $\$91.83 \times .089$ ) for retail sales tax.

### Restaurants

Most restaurants that operate under the authority of a license from the liquor and cannabis board have a dining and lounge area.

Many of these restaurants sell beverages or food at prices that include sales tax in the lounge area. If this pricing method is used, a notice must be posted in the lounge area stating retail sales tax is included in the price of the beverage or food. This statement must be visible for customers to see without entering the employee work area. The department assumes that retail sales tax was not charged or collected, if there is no notice posted and the customer does not receive a sales receipt or invoice.

A restaurant can decide to include retail sales tax in the price charged for beverages in the lounge area, while not including retail sales tax in the price for beverages in the dining area. In this case, sales tax would be charged on the total bill for the dining area.

### References

WAC 458-20-124 - Restaurants, cocktail bars, taverns, and similar businesses.

WAC 458-20-107 - Requirements to separately state sales tax - Advertised prices including sales tax.

RCW 82.05.050 - "Sale at retail," "retail sale."

RCW 82.08.055 - Advertising of price.

Restaurants and retailers of prepared food.



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