

# Convenience stores

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This guide was created to help people who own or work at convenience stores and gas stations more easily understand the Washington State taxes that apply to their business activities. Please remember that state laws change on a regular basis and this guide may not reflect all changes that occur.

This guide is intended to provide general tax information only. For more information, or for answers to specific questions, please [contact the Department of Revenue](#).

[Sales Tax Reference for Convenience Stores](#) (pdf)

*Updated February 2011*

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## Contents

### Common terms

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**Bakery items:** These include bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas.

**Business and Occupation (B&O) Tax:** The B&O tax is a gross receipts tax imposed on business activities in Washington. There are different reporting classifications for various business activities such as retail sales and services. Each classification has its own tax rate. Businesses performing more than one activity may be subject to B&O tax under more than one classification.

**Consumer:** This refers to someone who uses tangible personal property or receives services defined as retail sales. Tangible personal property or services may be for personal use or for conducting business activities. It is important for sellers to know who the consumer is to correctly collect sales tax.

**Gross Amount:** The term “gross amount,” means either “gross proceeds of sale” or “gross income of the business.” The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

**Business Application:** Anyone who wishes to register a business with one or more state agencies must complete a Business License Application. Upon submitting a Business License Application, the applicant receives a unified business identifier (UBI) number. The person then receives a Business License to post at the business location.

**Reseller Permit:** A reseller permit is the buyer’s written statement that goods are being purchased for resale in the normal course of business without intervening use.

**Retail Sales Tax:** This is a tax imposed on the buyer of goods and certain services. Sellers are responsible for collecting the tax from the consumer and remitting the tax to the Department. The term “sales tax” refers to the combined state and local portion of the tax.

**RCW:** Revised Code of Washington (state laws)

**UBI/Account ID:** Sometimes referred to as a UBI number, registration number, or reseller number, the unified business identifier (UBI) number is a nine-digit number used to identify registered businesses. The number is assigned when a person completes a Business License Application to register with, or obtain a license from, state agencies. The departments of Revenue, Licensing, Employment Security, Labor & Industries, and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program. In most cases, your UBI number will also be your account ID with the Department of Revenue.

**Utensils:** These include plates, knives, forks, spoons, glasses, cups, napkins, or straws. A utensil is not a container or packaging used to transport the food.

**WAC:** Washington Administrative Code (administrative rules)

## State tax overview

State tax overview

## Registration & UBI number

Generally, every person conducting business in Washington must register with the state through the [Business Licensing Service](#). Once registered, the business owner receives a nine-digit unified business identifier (UBI) number. Generally, this number is also the Department's account ID.

Businesses also receive the state Business License, which must be displayed in a conspicuous place at the business location for which it is issued. A business with more than one location must place a license at each place of business.

## Washington's major taxes

Almost every person doing business in Washington is subject to three major taxes.

They are:

- Business and occupation tax
- Retail sales tax
- Use tax

## Business and Occupation (B&O) tax

Almost all businesses in Washington are subject to the state B&O tax. This includes corporations, LLC's, partnerships, and sole proprietorships. The B&O tax is a gross receipts tax on the business. It is measured on the value of products, gross proceeds of sale, or gross income of the business. There are no deductions from the B&O tax for labor, materials, taxes or other costs of doing business.

The B&O tax rates vary depending on the tax classification into which an activity falls. The major classifications for a convenience store and gas station are retailing and service & other activities. The B&O tax rate for retailing is 0.471% and the rate for service & other activities is 1.5%. The B&O tax rate for service and other activities temporarily increases to 1.8% effective May 1, 2010. The temporary increase expires July 1, 2013.

Generally, sales of consumable supplies, prepackaged food items, prepared food items, alcohol, and cigarettes are reported under the retailing B&O tax classification.

Businesses making retail sales are subject to B&O tax under the retailing classification, even when the sales are not subject to retail sales tax. Example: most prepackaged food products are exempt from retail sales tax, but the income from these sales is taxable under the retailing B&O tax classification.

The state B&O tax is reported on the Department's excise tax return, which may be filed electronically. Convenience stores and gas stations usually file these returns on a monthly basis. Businesses are assigned a reporting frequency by the Department when they first register their business.

Washington cities may also impose a B&O tax. However, the Department does not administer these taxes. Please contact the city you are located in to determine if local B&O taxes apply.

## **Retail sales tax**

### **Collecting sales tax from customers**

Retail sales tax must be collected by the business on all sales subject to the retailing classification of the B&O tax, unless there is a specific retail sales tax exemption. Retail sales tax is comprised of a state and local rate.

Retailers are liable for remitting the correct amount of tax, even if they under-collected or did not collect the tax from the purchaser. Businesses are responsible for collecting retail sales tax from purchasers. All amounts collected are considered to be trust funds of the state.

Retail sales tax is collected on the selling price of an item, which includes any additional charges such as a fee for handling or any other amount that is separately stated on the invoice.

All sales invoices or documents of sale must separately state the retail sales tax collected. The tax cannot be included in a lump sum price. When sales tax is not separately stated, it is presumed that the tax was not collected by the seller or paid by the buyer. Some items sold by convenience stores and gas stations are exempt from retail sales tax and include the following:

- Grocery type (prepackaged) food items
- Newspapers
- Gasoline

*Remember: Sales invoices must be given to customers for all purchases.*

### **Paying sales tax on business purchases**

Retail sales tax must also be paid by convenience store and gas station owners on items purchased by a business for its own use. Examples of consumable supplies include the purchase of ice supplies, cleaning supplies, paper towels, shop cloths, and toilet paper used in the business location. Retail sales tax must also be paid on the purchase of furniture and equipment.

## **Use tax**

Use tax is a tax on the use of goods or certain services in Washington when sales tax has not been paid. Goods used in this state are subject to either the sales or use tax, but not both.

Use tax is based on the value of the article or service and includes charges for labor, materials, freight, handling, or any other amount paid or accrued when separately stated on an invoice.

Examples when use tax is due include:

- Mail order, telephone, or Internet purchases from people with no presence in Washington.
- Goods purchased with a reseller permit and then used or consumed.
- Tangible personal property acquired with the purchase of real property.
- Goods purchased in a state with no sales tax or a tax rate lower than Washington's.

Use tax is paid directly to the state using the use tax lines of the excise tax return or the use tax form. The local use tax rates are the same as the retail sales tax rates. The correct local tax rate is determined by the location at which the goods are first put to use in this state.

**Note:** Always pay use tax when an out of state vendor does not collect retail sales tax.

## **Purchases for resale – Not subject to sales tax**

Purchases for resale – Not subject to sales tax

Convenience stores and gas stations purchase many items that will be resold during the regular course of business without intervening use. These items may be purchased without payment of sales tax.

In order to purchase items without paying sales tax, the purchaser (store or gas station owner) must provide the seller with a reseller permit. The reseller permit is a document that validates goods are being purchased for resale in the regular course of business without intervening use by the business.

Examples of items that may be purchased using a reseller permit include the following:

- Food products
- Paper products
- Soda pop
- Magazines
- Motor oil
- Beer

For information about obtaining a reseller permit, see our [Reseller Permit](#) page.

## **Purchasing packaging materials**

Convenience stores and gas stations can purchase certain packaging items such as paper or plastic bags, pricing labels, paper/plastic plates, cups, lids, plastic utensils, paper napkins, straws, and “to-go” food containers without payment of sales tax. The purchaser must provide the seller with a reseller permit. All of these items must be sold as part of the tangible personal property sold to customers.

Please see Washington Administrative Code ([WAC](#)) [458-20-115](#) for additional information on the sale of packaging materials.

## **Collecting retail sales tax from customers**

Collecting retail sales tax from customers

## **Collecting retail sales tax from customers**

Retail sales tax must be collected on many items sold by convenience stores and gas stations. Following is a list of commonly sold items on which sales tax must be collected: (This list is not all inclusive.)

- **Air and water for vehicle use** (coin operated)
  - Retail sales tax is collected on the machine receipts when the equipment is owned by the convenience store and/or gas station owner. The gross income is also reported under the retailing B&O tax classification.
  - When the equipment is owned by someone other than the convenience store and/or gas station owner, the store owner reports the fee received from the equipment owner under the B&O tax classification service and other activities.
- **Alcoholic beverages:** All beverages containing 0.5 percent or more alcohol by volume.
- **Blocks of ice:** Blocks of ice of any weight. (Ice sold in cubes, shaved or crushed form, weighing ten pounds or less, is exempt from sales tax).
- **Carpet cleaning machine rental:** The rental and the purchase of cleaning products to use with the carpet cleaning machine are subject to retail sales tax.
- **Car wash**
- **Cigarettes:** Cigarettes are subject to both retail sales tax and the cigarette tax. The cigarette tax is paid by the first person to sell, use, consume, handle or distribute the cigarette(s) in this state. The cigarette tax on a pack of 20 cigarettes is \$3.025 and a pack of 25 is \$3.78125. (Federal cigarette taxes also apply.) These taxes are passed on to the consumer.

The Liquor and Cannabis Board enforces the tobacco laws for the state of Washington. They enforce retail and wholesale licensing, sales to minors, vending machine sales, sampling, and illegal cigarette sales and possession. For more information on tobacco enforcement activities, you may visit the [Liquor and Cannabis Board's web site](#). [RCW 82.24.080](#), [WAC 458-20-186](#).

- **Convenience stores whose prepared food sales are more than 75 percent of their total food sales:** Businesses with prepared food sales that are more than 75 percent of their total food sales are required to collect retail sales tax on all sales of food and food ingredients, except items that are four or more servings sold in a single container.

The formula for calculating the total sales percentage of prepared food is the **sum** of gross sales of heated food, mixed/combined food and food sold in such a way that a plate, glass, cup or bowl is necessary to receive the food **divided by** gross sales of all food and food ingredients (including all prepared food, dietary supplements and soft drinks).

For a definition of prepared food, please see Prepared food items within this list. For more details, and examples of this calculation, please see our online industry guide for [Retailers of Prepared Food](#).

- **Dietary supplements:** These include any product, other than tobacco, that is intended to supplement the diet and that meets all of the following requirements:
  - Is labeled as a dietary supplement with a "Supplement Facts" box.
  - Contains a vitamin, mineral, herb or other botanical, amino acid, or dietary substance taken to supplement the diet by increasing the total dietary intake, or a concentrate, metabolite, constituent, extract, or combination of these ingredients.
  - Is intended for ingestion in tablet, capsule, powder, soft gel, gel cap, liquid form; or is otherwise not represented as a conventional food; or for use as the sole component of a meal or diet.

Products labeled with both a “Supplement Facts” box and a “Nutrition Facts” box are not dietary supplements. Such products are “food and food ingredients” and are exempt from retail sales tax unless they are taxable as a “soft drink” or “prepared food.”

- **Cleaning supplies**
- **Clothing**
- **Magazines/books/greeting cards**
- **Prepaid telephone cards**
- **Rental of DVD or VHS tapes**
- **Motor oil and lubricants**
- **Prepared food items: Includes all products that meet any of the following criteria:**
  - Food sold with eating utensils provided by the seller.
    - Utensils include plates, knives, forks, spoons, glasses, cups, napkins, or straws.
    - Utensils do not include container or packaging used to carry the food. Example: container for potato salad
  - Food and food ingredients sold in a heated state or heated by the seller, except bakery items.  
*Examples: Hot dogs, hamburgers, pizza slices*
  - Two or more food ingredients mixed or combined by the seller for sale as a single item; unless the product:
    - Is only cut, repackaged, or pasteurized by the seller.
    - Contains raw eggs, fish, meat, poultry, and food containing these raw foods that require cooking by the consumer as recommended by the Food and Drug Administration (FDA) to prevent food borne illness.
  - If sold without eating utensils provided by the seller, prepared foods do not include:
    - Bakery items
    - Food sold by weight or volume as a single item in an unheated state
    - Food sold by a food manufacturer [North American Industry Classification System (NAICS), Sector 311, except for bakeries – subsector 3118}
- **Propane and pre-filled propane tanks:** The exchange of an empty propane tank for a full propane tank is subject to retail sales tax.
- **Soft drinks:** Drinks which are sweetened, contain 50% or less fruit/ vegetable juice, no milk or milk substitutes.
  - Sports drinks
  - Bottled tea/coffee, sweetened, no milk
  - Lemonade

- Soda pop
- Tonic water
- Flavored water with sweeteners
- “Juices” with 50 percent or less fruit juice
- “Energy” drinks
- Fountain drinks
- **Toiletries:** Includes toothpaste, lotion, toilet paper, and shaving cream.
- **Tobacco products:** These are subject to retail sales tax and the tobacco products tax. The tobacco products tax is imposed on the first possessor of untaxed tobacco products in this state. The tobacco tax is passed on to the consumer. Retail sales tax is also paid on tobacco products by the consumer. Retailers who order from out-of-state must pay the tax on their excise tax return on the tobacco products line. [WAC 458-20-185](#)
- **Vacuum machines** (coin operated)
- **Vehicle care products:** Examples include wax, glass cleaner and polishing cloths.

## When to charge sales tax on a food item

When to charge sales tax on a food item

Retailers should ask themselves the following questions to determine when an item is considered “prepared food” and subject to retail sales tax.

### Step 1

**Do I make utensils generally available to my customers; and are my prepared food sales greater than 75 percent of my overall food and food ingredients sales?**

If the answer to both parts of this question is yes, then retail sales tax must be collected on all sales of food and food ingredients. The only exception is for items containing four or more servings that are packaged as a single item, sold for a single price in an unheated state, where the seller does not provide a utensil to the buyer.

If the answer is no to either part of the question, separately evaluate the taxability of each item using steps 2 through 5 below.

### Step 2

**Is a plate, glass, cup or bowl necessary to receive the item or do I usually provide a utensil as part of the sales transaction?**

If the answer to either part of this question is yes, the sale is subject to retail sales tax.

If the answer to both parts of the question is no, and the item is a bakery item, the sale is exempt from retail sales tax. If the answer to both parts of the question is no, and the item is not a bakery item, move to step 3.

### Step 3

**Am I selling the item heated?**

If the answer is yes, the sale is subject to retail sales tax. If the answer is no, move to step 4.

**Step 4****Did I mix or combine two or more ingredients to sell as a single item?**

If the answer is no, then the item is exempt from retail sales tax. If the answer is yes, move to step 5

**Step 5****Ask yourself the following four questions:**

1. Did I only cut, repackage or pasteurize the product?
2. Is the product sold by weight or volume as a single item?
3. Am I a food manufacturer under NAICS, Sector 311, other than a bakery (subsector 3118)?
4. Does the product contain raw eggs, fish, meat, or poultry that requires cooking by the consumer as recommended by the FDA to prevent food borne illness?

If the answer to any one of these four questions is yes, the sale is exempt from retail sales tax. If the answer to all of these questions is no, then the sales is subject to sales tax. For more detail information, please refer to [WAC 458-20-244](#), effective June 2007.

**Collecting and reporting sales tax**

Collecting and reporting sales tax

**Reporting retail sales tax on the Excise Tax Return**

Items sold at retail are reported on the retailing and the retail sales tax lines of the excise tax return. The gross amount of the sale, not including sales tax, is reported on the return.

The gross amount reported under the retailing and retail sales tax lines must be the same. The deduction amount may differ.

**Determining your local sales tax rate**

People making retail sales must collect the local portion of the sales tax along with the state portion. Local tax is reported on the excise tax return and must be coded according to where the retail sale is made. The sales tax coding on the tax return determines how we distribute local taxes to governments around the state. Because local governments depend upon these taxes to fund various services, it is important to collect and report sales tax properly.

When selling goods or merchandise, the location for local tax purposes is the retail outlet from which delivery is made. For convenience stores and gas stations, local tax is based on the location of the store or station where an item is sold.

**Other local taxes to consider:** The Regional Transit Authority (RTA): A 0.9 percent tax that is collected in addition to state and local retail sales tax on sales made in portions of King, Pierce, and Snohomish Counties.



To verify your location code and sales tax rate, use our online [Tax Rate Lookup Tool](#).

References: [RCW 82.04.290](#) and [82.08.0293](#); [WAC 458-20-124](#), [458-20-244](#), and [458-20-145](#)

## When NOT to collect retail sales tax from customers

**Prepackaged food products:** Generally, food products that are sealed, canned, boxed, bottled or otherwise packed and sealed by someone other than the retailer are exempt from sales tax. Examples include canned vegetables and fruit, potatoes chips, eggs, packaged ice cream, etc.

Sales of prepackaged food products are reported under the retailing and retail sales tax lines on the excise tax return. A deduction from retail sales tax is itemized on the deduction detail page (0122 – Exempt Food Sales).

*See convenience stores whose prepared food sales are more than 75 percent of their total food sales under "Collecting Retail Sales Tax from Customers."*

**Bakery items:** Sales of bakery items are not subject to retail sales tax unless a bakery item is sold with a utensil.

**Newspapers:** A newspaper is a publication of general circulation bearing a title, issued at regularly stated intervals of at least once every two weeks, and formed of printed paper sheets without substantial binding. It must be of general interest, containing information on current events. A deduction from retail sales tax is itemized on the deduction detail page (0125 – Newspapers).

**Money orders:** Report the fee received from such sales on the excise tax return under the Service & Other Activities B&O tax classification.

**Postage stamps:** Any fee received for the sale of postage stamps is reported on the excise tax return under the Service & Other Activities B&O tax classification.

## Taxes on specific sales

Taxes on specific sales

### Motor vehicle fuel sales

Motor vehicle fuel is gasoline or other in flammable gas or liquid that is used for the propulsion of motor vehicles. Motor vehicle fuel includes the following:

- Gasoline
- Gasohol
- Diesel

Sales of motor vehicle fuel are not subject to retail sales tax; however, special fuel taxes do apply. Fuel taxes are paid to the distributor when fuel is purchased, and are passed on to the consumer. The sale of motor vehicle fuel is reported under the retailing and retail sales tax lines on the excise tax return.

A business selling motor vehicle fuel is allowed a deduction from the B&O retailing tax for the combined amount of state and federal fuel taxes paid. This deduction is itemized on the deduction detail page (0205 – *Motor Vehicle Fuel Tax*).

A deduction is also allowed under retail sales tax for the total amount of motor vehicle fuel sold at the pumps. The deduction is itemized on the deduction detail page (0119 – Motor Vehicle Fuel Sales). [WAC 458-20-126](#)

## Vending machine sales

Vending machines, which sell a variety of items, are frequently placed in convenience store and gas station locations. When the owner of the convenience store or gas station owns the vending machines, the owner is responsible for [collecting and remitting applicable taxes](#).

However, vending machines are often owned by someone other than the owner of the convenience store or gas station. In this case, amounts received as compensation for allowing the placement of the machines on property of the convenience store or gas station are reported under the Service & Other Activities B&O tax classification as a license to use real property.

## Collecting sales tax through a vending machine

Retail sales tax applies to sales of merchandise that is sold through a vending machine. Gross receipts are subject to retailing B&O tax.

Examples of merchandise sold through vending machines include items such as cigarettes, toiletries, maps, and toys. See [WAC 458-20-187](#) for additional information.

A [Vending Machine Worksheet](#) is available to help you calculate taxes on vending machine sales. See [WAC 458-20-244](#) for information on vending machine sales.

## Taxes on games

Convenience stores and gas stations may offer entertainment in the form of games. The convenience store or gas station may own the games or receive commissions for allowing the games to be placed in their business location.

**Commissions:** Income in the form of commissions for allowing the placement of vending machines or games is subject to B&O tax under the Service & Other Activities tax classification.

**Lottery tickets:** The purchase of lottery or scratch tickets by a consumer is not subject to retail sales tax. The convenience store or gasoline station owner reports commissions received from such sales on the excise tax return under the Service & Other Activities B&O tax classification.

**Pool/darts/shuffleboard:** These activities are considered retail sales and are subject to retail sales tax. Gross receipts are reported under the Retailing B&O tax classification.

**Video games/amusement devices:** This includes slots, pinball, electronic darts, and machines or devices that permit the patron to see, hear or read something of interest. Gross receipts are subject to B&O tax under the Service & Other Activities tax classification.

**Note:** Sales tax or use tax applies to the purchase of the machines.

**Internet access:** Gross receipts for allowing customers access to the Internet is subject to B&O tax under the Service & Other Activities tax classification.

**Pull tabs and punchboards:** The “increase” (see following note) from pull tab and punchboard games is subject to B&O tax. Those reporting \$50,000 or more per year of income from contests of chance will report under the new Gambling Contests of Chance (\$50,000 a year or greater) B&O tax classification. Businesses reporting less

than \$50,000 in income per year from contests of chance report under the Service & Other Activities B&O tax classification. [Special Notice - Business and occupation \(B&O\) tax rate increase for Contests of Chance \(\\$50,000 or more a year\) and Perimutuel Wagering](#).

**Note:** “Increase” means gross gambling receipts less the monetary value, or in the case of merchandise, the actual cost, of any prizes awarded. Actual cost is the amount actually paid (without markup). For donated merchandise, cost is the fair market value. [WAC 458-20-187](#), [Special Notice – Tax Reporting for Consignment Sales](#)

## Tax reporting for consignment sales

Tax reporting for consignment sales

The sale of goods through a consignment arrangement is taxed in the following manner:

A business making retail consignment sales must collect sales tax. Generally, consignment sellers remit sales tax directly to the Department (on behalf of the owner of the consigned goods). Examples of items sold on consignment at convenience stores and gas stations include crafted items such as handmade greeting cards and handmade jewelry.

“Consignee” (or selling agent) is one who has either actual or constructive possession of tangible personal property (although someone else actually owns that property), or one calling for bids on the property.

“Constructive possession” means possession of the power to pass title to tangible personal property of others. [WAC 458-20-159](#)

Reporting instructions are provided below:

### Consignee selling in the name of the owner

- Report consignment sales under the Retailing B&O tax classification. A deduction may be taken from retailing B&O tax, if the consignee segregates such sales income and maintains records in accordance with [WAC 458-20-159](#). The deduction is itemized on the deduction detail page (0215 – Consignment Sales).
- Report consignment sales under the Retail Sales tax classification. Generally, the consignee is responsible for remitting the sales tax to the Department. However, if the owner of the goods is registered with the Department and otherwise reports sales tax, the consignee can remit the sales tax to the owner to report. In this case, a deduction would be allowed under retail sales tax. The deduction is itemized on the deduction detail page (0199 – Other (write in: Sales Tax Remitted to Owner)).
- Report commissions earned from consignment sales under Service & Other Activities B&O tax classification. [RCW 82.04.290](#)

### Consignee that sells in their own name

- Report consignment sales under the Retailing B&O tax classification.

For tax reporting instructions for the owner of the goods, see our [Special Notice - Tax Reporting for Consignment Sales](#).

## Credits

Credits

## **Small Business B&O Tax Credit (Credit ID 815)**

Businesses whose B&O tax liability is below a certain level are entitled to a credit. The credit varies depending on the amount of B&O tax due (the total of all classifications) after all other B&O tax credits have been taken. A small business B&O tax credit worksheet is available if you are file a paper return and are eligible for the credit. The credit is automatically calculated if you returns electronically.

## **B&O Tax Credit for Syrup Tax Paid (Credit ID 945)**

A retailing business that pays syrup tax when buying carbonated beverage syrup to make carbonated fountain drinks can claim a B&O tax credit as of July 1, 2006. The credit increases each year. The following requirements must be met in order to take this B&O tax credit:

- Syrup must be used by the buyer in making carbonated drinks sold by the buyer.
- The credit must be claimed in the tax reporting period when the syrup was purchased.
- Any unused credit may be carried forward to future reporting periods for a maximum of one year (12 months from the end of the tax reporting period when the credit was earned).
- No credit may exceed the B&O tax due.
- No refunds for credits.

The credit must be reported under the “Credits” section of the tax return when claimed.

## **Other taxes**

Other taxes

## **Litter tax**

Litter tax is imposed on those industries whose products are reasonably related to the litter problem. The tax applies to manufacturers, wholesalers, and retailers of products falling into the following thirteen categories:

- Food for human or pet consumption
- Groceries
- Cigarettes and tobacco products
- Soft drinks
- Beer and other malt beverages
- Wine
- Newspapers and magazines
- Household paper and paper products
- Glass containers
- Metal containers
- Plastic or fiber containers made of synthetic material
- Cleaning agents
- Non-drug drugstore sundry products

The rate of the litter tax is 0.00015 (.015%) and it applies to sales of items falling in the above categories made within this state. It is imposed in addition to any other taxes and is reported on the Litter Tax line on the Excise Tax Return. Food, groceries, soft drinks, etc., are generally subject to the litter tax. Additional items that are subject to litter tax include prepared food and beverages, such as take-out, to-go and carry-out which will be eaten away from the seller’s place of business. [WAC 458-20-243](https://dor.wa.gov/book/export/html/1190)

## Personal property tax

Unless specifically exempt, all tangible personal property is subject to the personal property tax. Personal property tax rates are the same as for real property. Personal property includes machinery, equipment, furniture, and supplies of businesses.

In general, the characteristic that distinguishes personal property from real property is mobility. Household goods, certain intangibles, and business inventories are specifically exempt from personal property tax. However, if used in a business activity, the tax applies.

County assessors and treasurers levy and collect the property tax. Everyone who uses personal property in a business or has taxable personal property must complete a personal property affidavit by April 30 each year. The affidavit must list the taxable personal property located in the county as of 12:00 noon on January 1. The affidavit must include the acquisition cost and year acquired for all taxable property. The assessor uses the affidavit to value personal property for taxes due the following year.

Every January, county assessors mail personal property affidavits to people who have previously listed personal property. Businesses that do not receive an affidavit or that have questions regarding paying real and/or personal property taxes should contact their local county treasurer's office. The number is listed in the county government section of the telephone directory.

## Leasehold excise tax

The leasehold excise tax is in lieu of county property tax when persons or businesses lease or occupy publicly-owned real or personal property.

Public property is property owned by the federal government, Washington State, counties, school districts and other municipal corporations.

The amount subject to tax is generally the amount of rent, although certain expenses and improvement may also be included in the taxable amount.

Generally, the tax is collected by the public entity that leases the property. However, the federal government does not collect the tax. Therefore, persons leasing federal property must report and pay the tax directly to the Department.

**Note:** For more information regarding leasehold excise tax, contact the Department's Taxpayer Account Administration Division. [RCW 82.29A](#)

## Record keeping requirements

### Record keeping requirements

Good record keeping is an important element of running a successful business. The law requires businesses to keep complete and adequate records for a period of at least five years. In general, records should be kept that provide:

- The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- Supporting documentation for all deductions, exemptions, or credits claimed.

Other important records to keep include:

- Federal income tax returns
- Washington excise tax returns
- General and subsidiary ledgers
- Sales and/or cash receipts journals
- Sales invoices Purchase/cash disbursement journals
- Purchase invoices for assets and expense items
- Financial statements

Reference: [WAC 458-20-254](#)

## Preparing for an audit

### Preparing for an audit

Audits are a routine procedure used to determine whether state excise taxes are being reported and paid correctly. The majority of businesses audited by the Department are chosen using statistical methods. An audit period generally covers four years plus the current reporting period.

During the audit, the auditor reviews the business records to verify that taxes were properly reported. A review includes:

- Income reconciliation (amount and classification)
- Confirmation of any deductions or exemptions claimed
- Confirmation that sales or use tax was paid on purchases (assets and consumables)

Once the audit is complete, the auditor will discuss the results of the audit. If you agree with the results, the auditor then prepares the final audit report. A field audit manager reviews the audit before submitting it to the Audit Division's audit review. This can take six to eight weeks.

If the audit results in additional taxes owed, you have 30 days from the date the audit is mailed to pay the tax and interest in full.

If you have overpaid your taxes, you will receive a credit notice to apply against amount due on future returns, unless you request a refund.

You are encouraged to schedule a conference with the field audit manager if you disagree with the audit adjustments. If you are unable to reach an agreement, you will be informed of how to file a formal appeal. You have 30 days from the date the audit report is mailed to file an appeal.