

# Selling your business

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When you sell your business, you may need to report all or part of the sale on your excise tax return. Also, you may be required to collect retail sales tax on certain capital assets and consumable supplies that are included in the sale.

## **Capital assets and consumable supplies**

Sales of capital assets and consumable supplies are retail sales. These sales are not subject to business and occupation (B&O) tax if you do not regularly sell this type of property. These sales qualify for the "casual sales" B&O tax deduction. If you make a casual sale, this sale is subject to retail sales tax.

Examples of capital assets include:

- Machinery and equipment.
- Office furniture.
- Vehicles.

Consumable supplies include:

- Office supplies and forms.
- Reference books.
- Canned software.

## **Inventory**

If you sell the inventory of your business, it is subject to B&O tax. If you obtain a reseller permit from the purchaser, then the sale is subject to the wholesaling B&O tax. If a reseller permit is not given, retailing B&O tax and retail sales tax applies.

## **Goodwill and other intangible assets**

If you sell intangible assets, such as goodwill, they are not typically subject to either business and occupation tax or retail sales tax.

## **Final tax reporting requirement**

When you sell your business, you must file a final tax return, with payment, within ten days of the sale.

## Personal property tax

When you sell your business, the county treasurer's office must be contacted. You must pay property tax to the county treasurer if the property will be sold, destroyed, disposed of, or removed from the county.

If you have questions about the personal property tax, contact your local county treasurer or assessor .

## Real estate excise tax

When you sell real estate, it is subject to the real estate excise tax which you pay to the county treasurer  when the change of title is recorded. When you sell a controlling interest (50% or more) of an entity (corporation, LLC, partnership, etc.) that owns real property located in Washington, you will pay real estate excise tax (REET).

## Successor liability: Buyer beware

The buyer of a business may be liable for the unpaid taxes of the former owner. If tax due is not paid within 10 days of the sale of the business, the new owner is liable for the full amount of tax. Therefore, the buyer should require the seller to provide a Tax Status letter obtained from the Department of Revenue.

Under Washington 's successor liability law, the buyer must hold back enough money to pay any taxes due, unless the former owner can prove that they have paid the tax or that no tax is owed.

## Reference:

WAC 458-20-216



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