



Interim guidance statement regarding changes made by ESSB 5814 for custom website development services

September 12, 2025

Purpose

Effective October 1, 2025, Engrossed Substitute Senate Bill 5814, Laws of 2025, Chapter 422 (ESSB 5814) makes custom website development services a “retail sale” subject to Washington’s retailing business and occupation (B&O) tax and retail sales tax. The purpose of this interim guidance statement is to provide guidance that taxpayers can rely on while the Department of Revenue (department) creates permanent guidance.

This interim guidance is divided into the following sections:

- Background and relevant law
- What is the tax treatment of website consulting and training services?
- How do I determine where the sale of custom website development services takes place?
- Can custom website development services be resold?
- Does the multiple points of use (MPU) exemption apply to custom website development services?
- Do non-profits have to pay retail sales tax on custom website development services?
- Do state and local governments have to pay retail sales tax on custom website development services?
- What is the tax treatment of custom website development services sold between members of an affiliated group?
- How do I determine my retailing B&O amount and the correct retail sales tax rate?
- Taxpayer instructions

Examples found in this interim guidance statement identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all facts and circumstances.

Background and relevant law

Under ESSB 5814, the sale of custom website development services is a retail sale.[1] Accordingly, custom website development services will be subject to retailing B&O tax and retail sales tax if sold to a consumer.

“Website Development Services” means the design, development, and support of a website provided by a website developer to a customer.

Custom website development services include services that are performed for new and existing websites. These services do not include web hosting or domain name registration services.

A “website developer” means a person who performs any of the following business activities for a customer:

- Website design services. (e.g. planning efforts, analysis, engineering, programming, testing, and deployment)
- Development services, (e.g. frontend, backend, or full-stack).
- Supporting the functionality or operation of a website (e.g. testing new applications, monitoring site performance, and website optimization services).

What is the tax treatment of custom website development services?

The department considers website consulting and training services to be supporting the functionality and operation of a website and taxable as “website development services.” Therefore, website consulting and training services are generally defined as a retail sale that are subject to the retailing B&O tax and retail sales tax when sold to a consumer.[2]

The department has received questions as to whether website developers, that are not physically present in Washington, must remit tax. If you are a website developer that does not have physical presence nexus in Washington, you may still need to collect and remit retail sales tax for sales sourced to Washington if you exceed the economic nexus threshold of \$100,000 in

combined annual gross receipts sourced or attributed to Washington. For more information, see the department's webpage, out of state businesses reporting thresholds and nexus.

Example 1 – Website consulting and support services.

Facts: Website Business LLC assists Washington clients in comparing and selecting a website design based on their client's needs and budget. The clients receive these services in Washington where Website Business has nexus.

Result: Website Business LLC is making a retail sale of website development services. Website Business LLC is a website developer because they are providing a service that supports the functionality and operation of a website. These services are retail sales that are subject to the retailing B&O tax classification and Website Business LLC must collect and remit retail sales tax on sales to consumers. However, if sales are received outside of Washington, Website Business LLC will report this sale under the retailing B&O tax classification and take the interstate and foreign sales deduction for this sale.

Example 2 – Website consulting and support services.

Facts: Website Business LLC trains their clients on how to update and manage their own website. The clients receive these services in Washington State where Website Business LLC has nexus.

Result: Website Business LLC is making a retail sale of website development services. Website Business LLC is considered a website developer since they provide a service that supports the functionality and operation of a website. These services are a retail sale subject to the retailing B&O tax classification and Website Business LLC must collect and remit retail sales tax. However, if sales are received outside of Washington, Website Business LLC will report this sale under the retailing B&O tax classification and take the interstate and foreign sales deduction for this sale.

How do I determine where the sale of custom website development services takes place?

The sale of custom website development services is a retail sale. Retail sales must be sourced in accordance with RCW 82.32.730 for sales and use tax and retailing B&O tax purposes. The term "**source**," "**sourced**," or "**sourcing**"

refer to the location (as in a state, local taxing district, jurisdiction, or authority) where a sale is deemed to occur.

Custom website development services are subject to tax based on the location where the services are received by the purchaser and other default sourcing rules as follows:[3]

1. The seller's place of business if the purchaser receives the retail service at the seller's place of business.

Note: Generally, custom website development services are provided remotely, so they will not be sourced to the seller's place of business in most cases.

2. If not received at the seller's place of business, the location where the purchaser receives the retail service if known to the seller.
3. If the location where the purchaser receives the retail service is not known, the purchaser's address available in the seller's business records.
4. If no address is available in the seller's business records, the purchaser's address obtained at the time of sale (e.g. purchaser's payment instrument).
5. If no address is obtained at the time of sale, the address where the retail service was provided by the seller.

"Receipt," in relevant part, generally means to make first use of the service.[4] While not binding on the department, the department may be guided by the Streamlined Sales and Use Tax Agreement (SSUTA) when determining the location of receipt.[5] The SSUTA does not directly address the sourcing of custom website development services, but does address the sourcing of services generally, indicating "the location (or locations) where the purchaser (or the purchaser's donee) can potentially first make use of the result of the service is the location (or locations) of the 'receipt' of the service."[6] Accordingly, in determining the location of receipt for custom website development services, the department provides the following guidance:

- **If the location of service is known:** If the purchaser receives the custom website development services at multiple known locations, the custom website development services must be sourced and allocated to those locations. The department will accept proportional allocation to each known location based on the amount of the service received at each location or equal proportional allocation to the known locations.

- **Agreed-upon allocation at time of invoice, reasonable and consistent method:** If the purchaser will receive the custom website development services in multiple locations, the seller and purchaser may allocate the sale to multiple locations based on a reasonable and consistent method.[7] The locations and agreed-upon allocation in this instance must be provided by the purchaser by the time of the invoice. The reasonableness of the allocation will be subject to review by the department.
- **If the location of the service is unknown:** If the location of receipt is unknown, the service is deemed received at the business address of their client based on their business records provided it is not used in bad faith. [8] If the business address is unavailable, the service may be deemed received at the purchaser's billing address as received in the ordinary course of business, provided that it is not used in bad faith or other similar purchaser address obtained at the consummation of sale.[9]
- **Documentation:** Website developers that are providing custom website development services should document in their contracts, invoices, or service agreements where they will be sourcing the services.

Example 3 – Sourcing custom website development services for a single known location.

Facts: Customer LLC hires a Washington-based website developer to update its existing website. Washington-based website developer is making a retail sale of website development services. Customer LLC will receive the services at their location in Camas, Washington, which is where Customer LLC, through its employees, will have first use of the services. This information is included in the contract between Customer LLC and the website developer. Customer LLC pays the developer \$100,000 upon executing the contract with the developer.

Result: The sale is sourced to Camas, Washington, the business location designated by the customer as indicated by their contract. The Washington-based website developer must report the sale under the retailing B&O tax classification and must collect and remit retail sales tax based on the combined state and local sales tax rate for Camas on the \$100,000 contract price.

Example 4 – Sourcing custom website development services when they are received at an unknown location.

Facts: Assume the same facts as in Example 3, except Customer LLC does not indicate where the custom website development service is going to be received and the Washington-based website developer does not know where receipt will take place at the time tax must be paid and collected. The contract indicates that Customer LLC's business address is in Camas, Washington.

Result: As the Washington-based website developer does not know where receipt occurs, they should source the sale to Camas because this is the address for the purchaser that is available from the website developer's records that are maintained in the ordinary course of business and that is not used in bad faith. The Washington-based website developer must report the sale under the retailing B&O tax classification and must collect and remit retail sales tax based on the combined state and local sales tax rate for Camas on the \$100,000 contract price paid.

Example 5: – Sourcing custom website development services when they are received at an unknown location.

Facts: Assume the same facts as in Example 3, except instead of using the Camas address, the Washington-based website developer sources the sale to a P.O. box address located in Wyoming where Customer LLC has no business activity.

Results: The department would consider the use of the P.O. box address to be used in bad faith. Accordingly, the department may assess Customer LLC for deferred sales tax, including any interest and penalties that may apply.

Example 6 – Sourcing custom website development services received at multiple locations.

Facts: Assume the same facts as in Example 3, except Customer LLC indicated in their contract with the Washington-based website developer that Customer LLC will be receiving the services at its Washington location and its office location in Hood River, Oregon. Customer LLC also indicates that 80% of its employees work at its Washington location in Camas and will be using the service at this location. Both the Washington-based website developer and Customer LLC agree to allocate the sale in this manner.

Results: Customer LLC receives the website development service at both its Oregon and Washington locations, which are locations of receipt known to the seller. When the purchaser receives the custom website development services in multiple locations, the seller and purchaser may allocate the sale to multiple locations based on a reasonable and consistent method. In this case, there is an agreed-upon allocation between the buyer (Customer LLC) and seller (the Washington-based website developer) of 80% based on Customer LLC's Washington employees. The locations and agreed-upon allocation in this instance must be provided by the purchaser by the time of the invoice. The reasonableness of the allocation will be subject to review by the department. Accordingly, the sale is sourced and allocated to both Customer LLC's Washington headquarters and their Oregon office locations. Washington based website developer must report the \$80,000 allocated to Camas under the retailing B&O tax classification and must collect and remit retail sales tax based on the combined state and local sales tax rate for the \$80,000 sale allocable to Camas.

Example 7: Sourcing custom website development services received at multiple locations.

Facts: Assume the same as Example 6, except there is no agreement with Customer LLC to allocate the sale, but sales in the gross amount of \$50,000 each are billed to the Camas, Washington and Hood River, Oregon locations respectively.

Result: In this case, the department would accept equal proportional allocation by the seller to both locations. The Washington based website developer would report the \$50,000 allocated to Camas under the retailing B&O tax classification and would collect and remit retail sales tax based on the combined state and local sales tax rate for the \$50,000 sale allocable to Camas.

Example 8 – Determining the sales tax rate for custom website development services received at multiple locations.

Facts: Assume the same facts as Example 6, except Customer LLC does not pay the \$100,000 contract price when the contract is executed. Instead, the Washington-based website developer bills Customer LLC on a monthly basis for services received at each location as performed, which is calculated by tracking the amount of time the developer's employees provide work with

respect to each location. For the month of January, Customer LLC is billed \$10,000 for services received at the Washington location and \$5,000 for services received at their Oregon location.

Result: The Washington-based website developer must report the \$10,000 for the services received in Washington under the retailing B&O tax classification and must collect and remit retail sales tax based on the combined state and local sales tax rate for the \$10,000 sale allocable to Camas.

Example 9 – Sourcing custom website development services when the seller is an out-of-state website developer.

Facts: Website Developer Inc. is an out-of-state website developer that has been hired by Customer Co. Inc., a Washington-based company, to create a new mobile website. Website Developer Inc. is making a retail sale of website development services. Customer Co. Inc. provides in their contract that receipt will occur at its headquarters in Walla Walla, Washington. The contract price paid is \$12,000. While Website Developer Inc. does not have a physical presence in Washington State, it has established economic nexus with Washington. Website Developer Inc. will perform the work remotely from their out-of-state location.

Results: Website Developer Inc. must collect and remit retail sales tax and must also report the sale under the retailing B&O tax classification on the \$12,000 gross proceeds of sale. The sale is sourced to Walla Walla, the location indicated by Customer Co. Inc. in their contract.

Example 10 – Sourcing custom website development services sales are received outside of Washington.

Facts: Client Inc. hires a Washington-based website developer to design and support the operations of their website. Washington-based website developer is making a retail sale of website development services. Client Inc. did not indicate where the website development service is going to be received and that location is unknown to the Washington-based website developer. The address on their contract indicates that Client Inc.'s address is in Louisiana.

Result: The website development services are sourced to the location of Client Inc.'s address in Louisiana. The Washington-based website developer is not required to collect and remit Washington retail sales tax from Client Inc.

The Washington-based website developer will report this sale under the retailing B&O tax classification and take the interstate and foreign sales deduction for this sale.

Can custom website development services be resold?

Yes, in certain circumstances. Sellers of these services may use a reseller permit when subcontracting with a third-party service subcontractor in certain situations. However, website developers must maintain documentation to substantiate that the services qualify for resale.

The seller of custom website development services may provide a reseller permit to a third-party subcontractor to document that the seller is purchasing the third-party subcontractor's services for resale purpose when both of the following factors are met:

1. The seller of the custom website development services is contractually responsible for providing the services to a third-party buyer; and
2. The seller of the custom website development services has no intervening use of the services provided by the third-party subcontractor.

Businesses providing custom website development services may also accept other approved exemption certificates from their customers or data elements. See WAC 458-20-102. To be valid, paper certificates must be fully completed and signed by the customer.

If a seller of custom website development services provides a subcontractor with a reseller permit or other approved exemption certificate, the seller does not need to pay retail sales tax. However, the subcontractor would still need to report the sale under the wholesaling B&O tax classification.

Example 11 – Reselling custom website development services.

Facts: Website Business LLC contracts with Client LLC to develop Client LLC's website. Website Business LLC is making a retail sale of website development services. To complete the project, Website Business LLC subcontracts directly with a third-party web developer to perform 80% of the design and development work on the project. Website Business LLC has no intervening use of third-party web developer's services. The third-party developer charges Website Business LLC directly and Website Business LLC invoices Client LLC for the entire project.

Result: Website Business LLC can provide the third-party developer with a reseller permit for the work performed by the website developer that is being resold to Client LLC. The third-party developer would not collect retail sales tax from Website Business LLC and would, instead, report the sale under the wholesaling B&O tax classification if the sale is sourced to Washington. Website Business LLC would charge retail sales tax to Client LLC on the cost of the entire project, including the cost of those services provided by the third-party developer.

Does the multiple points of use (MPU) exemption apply to custom website development services?

RCW 82.08.0208(4) provides the multiple points of use (MPU) retail sales exemption for certain eligible products, including digital products such as digital automated services (DAS), used by the purchaser concurrently inside and outside of Washington. RCW 82.12.0208(7) works in conjunction with the MPU sales tax exemption to apportion use tax based on the use of these products in Washington. This means that instead of paying retail sales tax at the time of purchase, buyers claiming the MPU exemption are exempt from paying sales tax at the time of sale and must then apportion and report use tax directly to the department.

If a service that is defined as a retail sale under RCW 82.04.050 also meets the definition of a DAS, the department will treat these services as digital products that are eligible for all applicable retail sale and use tax exemptions, including the MPU exemption. A DAS is "any service transferred electronically that uses one or more software applications." See WAC 458-20-15503(601). The question of whether a service meets the definition of a DAS generally depends on the facts and circumstances of that service. At the time of this IGS, the department has received no feedback concerning whether any customer website development services may meet the definition of a DAS. Sellers and their customers will need to make this determination as to whether their service is a DAS.

In order to qualify for the MPU exemption, the DAS must also be concurrently available for use inside of Washington and outside of Washington. To be "concurrently available for use within and outside this state" means that employees or other agents of the taxpayer may use the digital automated services simultaneously at one or more locations within Washington and one or more locations outside of Washington.

If a service meets the statutory requirements described above, purchasers may generally use the MPU sales tax exemption and pay use tax on the amount apportioned to Washington under RCW 82.12.0208.

However, if the DAS is sold as part of a bundled transaction, then the MPU exemption and related apportionment is not available.[10] A bundled transaction is the sale of two or more distinct and identifiable products sold for one nonitemized price.[11] Pursuant to this interim guidance, the department will accept there is not a bundled transaction and the packaged products can each be taxed according to their appropriate classification if:

- The price of the DAS is separately identified by product on a binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form that may include, but is not limited to: an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, price list, or the sale of any products in which the sales price varies; or
- The sale of any of the products that are negotiable based on the selection made by the purchaser of the products included in the transaction.

Generally, retail services are received by the purchaser at the locations where the service is provided and will be used concurrently at those locations. Users are defined to be employees or other agents.

Do non-profits have to pay retail sales tax on custom website development services?

In Washington, nonprofit organizations are generally taxed like any other persons. They must pay B&O tax and collect and remit sales tax on gross revenues generated from the regular business activities they conduct.[12] They generally must also pay retail sales or use tax when they purchase products subject to the retail sales tax. This means that nonprofit organizations must collect and remit retail sales tax when making retail sales of custom website development services and must pay retail sales tax when purchasing custom website development services. For more information, see our Nonprofit organizations industry guide.

Do state and local governments have to pay retail sales tax on custom website development services?

In Washington, state and local governments are generally subject to retail sales tax on their purchases just like any other businesses.[13] Sellers must collect and remit retail sales tax on sales of custom website development services to state or local governments.

What is the tax treatment of custom website development services sold between members of an affiliated group?

The sale of custom website development services when sold between members of an affiliated group are generally excluded from the definition of "retail sale" under ESSB 5814. Therefore, if the exclusion requirements are otherwise met, these services would be subject to the service and other activities B&O tax classification.

How do I determine my retailing B&O amount and the correct retail sales tax rate?

Washington's B&O tax, including the retailing B&O tax, is calculated on the gross income from activities. This means that there are no deductions for labor, materials, taxes, or other costs of doing business. The B&O tax rate varies by classification, which you can find on the department's business & occupation tax classifications webpage. For more information regarding B&O tax generally, please see the department's business & occupation tax webpage.

Retail sales tax collection is based on the location where the customer receives the service (destination-based sales tax). The department has dedicated tools that help businesses track and determine the sales tax rate that should be charged. This includes a sales tax rate lookup URL Interface that provides direct access to the department's address-based rate lookup technology platform.

Please see the department's Sales & use tax rates and Sales and use tax tools webpages for more information.

Taxpayer instructions

The department will continue to review these issues for purposes of developing final guidance. This interim guidance statement will remain in effect until the department issues final guidance, cancels this interim statement, or new legislation is enacted.

Please see our Services newly subject to sales tax webpage for updates, guidance, and opportunities to engage with the department.

If you have questions about this guidance, please contact the department at rulings@dor.wa.gov.

[1] See section 101 of ESSB 5814.

[2] RCW 82.04.050, RCW 82.04.250, and RCW 82.08.020.

[3] RCW 82.32.730(1); see also RCW 82.32.730(9)(f) ("Receive" and 'receipt' mean taking possession of tangible personal property, making first use of digital automated services or other services, or taking possession or making first use of digital goods or digital codes, whichever comes first. . .")

[4] RCW 82.32.730(9)(f).

[5] RCW 82.02.210.

[6] SSUTA Rule 311.1 

[7] See generally, SSUTA Rule 309.3 , SSUTA Rule 311.1.

[8] RCW 82.32.730(1)(c).

[9] RCW 82.32.730(1)(d).

[10] ETA 3242.2025 does not extend to apply the MPU to other types of bundled transactions as it is only applicable for sales of software maintenance agreements.

[11] RCW 82.08.190 and RCW 82.08.195.

[12] See WAC 458-20-169(4).

[13] See WAC 458-20-189(5).



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