

# Gift cards, gift certificates, and layaway purchases

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## When do I report gift cards and gift certificates?

Taxes do not apply to gift cards and gift certificates at the time of sale.

Businesses who issue gift cards and gift certificates should report income when the customer redeems the card or certificate. If sales tax applies to the sale, then the seller should collect retail sales tax at the time of redemption. The amount redeemed on the card or certificate is subject to business and occupation (B&O) tax according to the goods or services provided in exchange for the card or certificate.

For example:

- Retailing B&O tax applies to products and retail services sold to consumers.
- Wholesaling B&O tax applies to products sold for resale.
- Service B&O tax applies to personal and professional services.

Retail sales tax applies to sales of prepaid telephone debit cards at the time of sale, unlike sales of gift cards and gift certificates. (ETA 3093.2009)

## When do I report layaway sales?

Businesses who make sales of tangible personal property on layaway, should report income when the customer takes delivery of the item. If sales tax applies to the sale, then the seller should collect retail sales tax and report Retailing B&O tax when the customer takes delivery of the layaway purchase. Any fees charged for layaway are part of the selling price of the tangible personal property subject to Retailing B&O tax and sales tax in the same manner as the item sold. (RCW 82.08.020)

If the customer does not complete the terms of the layaway and forfeits the deposit, the seller will report this income under the Service B&O tax classification. In this case, retail sales tax does not apply because there was no sale.

## More information

### Interim guidance

Taxability of unredeemed gift cards

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