

Dealer cash is subject to B&O tax

A recent case before the Washington State Supreme Court clarifies that “dealer cash” (a specific amount of extra money) from American Honda’s incentive program **is subject to B&O tax** under the Service & Other Activities classification. **The payment represents income and is taxable.**

(*Steven Klein, Inc., dba Klein Honda, v. State of Washington, Department of Revenue*, Wash. No. 91072-3 (August 27, 2015))

The Court also ruled:

- Klein Honda’s participation in the dealer cash incentive program is a business activity.
- Any business activity is subject to B&O tax under the service and other classification if it does not fall within another classification.
- Dealer cash payments are not bona fide discounts from the wholesale purchase price of vehicles. Dealer cash payments are different from holdbacks and other credits that are part of the wholesale purchase transaction.

A payment or credit is also not a bona fide discount if the retailer:

- must perform any service or activity for the manufacturer or wholesaler or
- do anything other than simply purchase the goods.

