



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

NUMBER: 3147.2009

ISSUE DATE: February 2, 2009

This ETA is cancelled effective September 14, 2015. The issues addressed in this ETA have been incorporated into revised WAC 458-20-108, which became effective August 21, 2015.

Make-Ready Services Performed by Dealers

This excise tax advisory explains the taxation of make-ready services performed by dealers.

Equipment dealers are often required by the manufacturer to perform or be responsible for make-ready services. These services generally include the inspection, conditioning, and necessary repair of the equipment prior to sale by the dealer. In most cases the dealer will receive payment in the form of a credit which will be applied to a future purchase. Payment to the dealer is contingent on providing the make-ready services, and is often termed as a "dealer discount" or "holdback."

These payments, whether as credits against future purchases or in the form of checks or cash, represent income to the dealer, and are subject to the wholesaling business and occupation tax. The dealer provides make-ready services to the manufacturer, in return for which it receives payment. These payments are not bona fide cash discounts taken by the dealer, nor do they represent any adjustment to the dealer's purchase price. The use of terms such as "dealer discount," "holdback," "refund," or "reimbursement" tends only to disguise the true nature of the transaction.

Payment for the make-ready services is a cost of doing business for the manufacturer. As a cost of doing business, they may not be deducted from the gross proceeds of sales when the manufacturer determines its business and occupation tax liability. These are not discounts being granted to dealers, but are payments for services performed by the dealer for the manufacturer.

All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.

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