

Washington State Tax Guide

LODGING



Taxpayer Rights and Responsibilities

The taxpayers of the State of Washington have the **right** to:

- Simple and prompt administrative process for tax refunds and credits.
- Timely, fair, and equitable treatment with dignity and respect.
- Accurate, written information on reporting instructions, appeal procedures, refund claims, and reasons for assessment.
- Public hearings on proposed rules.
- Review and appeal of assessments, business registration revocation, and adverse rulings.
- Remedies when statutes and rules are found to be unconstitutional.
- Confidentiality of financial and business information.

The taxpayers of the State of Washington have the **responsibility** to:

- Register with the Department of Revenue.
- Know their tax reporting obligations and seek instructions when they are uncertain.
- Keep accurate and complete business records.
- File returns and pay taxes in a timely manner.
- Ensure the accuracy of the information entered on their tax returns.
- Substantiate claims for refund.
- Notify the Department of Revenue and pay taxes promptly when closing a business.

Reference: RCW 82.32A

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Introduction

The lodging industry is an important one in Washington State. Tourism dollars collected through the hotel industry help support not only the state, but local cities and counties as well.

This guide was created to assist businesses that provide lodging the ability to better understand the Washington State taxes that apply to their business. Our goal is to provide easy-to-follow information, so that companies in the lodging industry can learn their proper tax responsibilities. The information contained in this guide provides tax reporting information for the following business types:

Hotels	Motels
Bed & Breakfast Houses	Rooming Houses
Resorts	Summer Camps
Trailer Camps	Recreational Vehicle (RV) Parks

The information provided is current at the time of publication. Please remember state tax laws change on a regular basis and this guide will not reflect any changes that occur after printing.

For additional information or answers to any questions about Washington excise taxes, please contact the Department of Revenue using the telephone number, web site address, or mailing address listed below. Additional information about the Department of Revenue's services is available in the back of this tax guide.

Toll Free Telephone Number:	1-800-647-7706
DOR Web Site:	http://dor.wa.gov
Mailing Address:	Washington Department of Revenue Taxpayer Services PO Box 47478 Olympia, Washington 98504-7478

Common Terms

Business and Occupation (B&O) Tax: A gross receipts tax imposed on persons conducting business activities in Washington. There are different reporting classifications for various business activities such as retail sales, and wholesale sales services. Each classification has its own tax rate. Persons performing more than one activity may be subject to B&O tax under more than one classification.

Consumer: A person who uses tangible personal property and receives services defined as retail sales. Such tangible personal property or services may be for personal use or conducting business activities. It is important for sellers to know who the consumer is to correctly collect sales tax or remit use tax.

Lodging: Sleeping accommodations.

Master Application: A document completed by persons wishing to register a business with one or more state agencies. Upon submitting a Master Application, the person receives a Unified Business Identifier (UBI) number. The person then receives a Master License to post at the business location(s).

Non-transient: An occupant, guest, or resident with a license to use real property for 30 or more continuous days.

Resale Certificate: A certificate a seller takes from the buyer to document the wholesale nature of a sale. The law requires that a resale certificate contain certain information. See WAC 458-20-102 for more details.

Retail Sales Tax: A tax imposed on the buyer of goods and certain services. Sellers are responsible for collecting the tax from the consumer and remitting the tax to the Department

of Revenue. Retail sales tax paid or to be paid directly by the buyer to the Department – for example, when a person uses a resale certificate to purchase goods for dual purposes and later determines some of those goods will not be resold (see WAC 458-20-102) – is commonly referred to as “deferred sales tax.” A “deferred sales tax” liability is reported on the use tax line of the excise tax return and remitted on the basis of the local tax code and tax rate for the location of the seller. The terms “sales tax” and “deferred sales tax” refer to the combined state and local components of the tax.

RCW: (Revised Code of Washington): Laws of the state of Washington.

Transient: Any guest, resident, or other occupant to whom lodging and other services are furnished under a license to use real property for less than 30 continuous days.

UBI/Department of Revenue (DOR)

Registration Number: A nine-digit number issued via the Unified Business Identifier (UBI) system and used to identify registered businesses. Sometimes referred to as a registration, tax, “C,” or resale number.

The number is assigned when a person completes a Master Application to register with or obtain a license from state agencies. The departments of Revenue, Licensing, Labor and Industries, Employment Security, and the Office of Secretary of State are among the state agencies participating in the UBI program. In most cases, your UBI number will also be your DOR registration number. Spouses who file separately and corporations that file multiple accounts are assigned separate DOR registration numbers as needed.

Common Terms (continued)

Use Tax: A tax imposed on the use in Washington of goods and certain services by a consumer when the state's retail sales tax has not been paid. Either sales tax or use tax applies, but not both, with respect to goods or services purchased and/or used by a consumer. In this manner, the use tax serves to complement the

sales tax. Like the sales tax, the use tax is a combined state and local tax. Use tax and sales tax rates are the same for the particular local taxing jurisdiction (e.g., the retail sales and use tax rates are the same for the City of Spokane).

WAC: Washington Administrative Code.

Services Provided by the Lodging Industry

Generally, hotels provide many services, such as lodging, telephone access, food service, vehicle parking, Internet access, faxing, copying and laundry. Often, the hotel uses third parties to provide some of these services. When the hotel bills the guests for the retail services it has an obligation to collect sales tax on all retail charges.

Charges for transient lodging are taxable as retail sales. Transient means any guest, resident, or other occupant to whom lodging and other services are furnished for less than one month or less than 30 continuous days if the rental period does not begin on the first day of the month.

An occupant remaining in continuous occupancy for 30 days or longer is considered a non-transient upon the thirtieth day. An occupant who contracts in advance and does remain in continuous occupancy for the initial thirty days will be considered a non-transient from the start of the occupancy. Charges for non-transient lodging are exempt of tax as a rental of real estate.

Many hotels have restaurants on the premises. For hotels with restaurants, please consult the Department's *Restaurant Guide*.

Business & Occupation (B&O) Tax

Business & Occupation (B&O) Tax

Almost all businesses doing business in Washington State are subject to the state business and occupation (B&O) tax. This includes corporations, partnerships, sole proprietors, and nonprofit organizations. The B&O tax is a gross receipt tax; it applies to the gross income of the business. This means there are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. Different tax classifications with different rates apply for the various business activities.

The state B&O tax is reported on the Department of Revenue's excise tax return. A business is assigned by the Department to file these returns on a monthly, quarterly, or annual basis, depending on the estimated yearly tax due and the type of business.

B&O Tax Classifications

The most common B&O tax reporting classifications for hotels and other lodging providers are retailing, and service and other activities. Businesses performing more than one activity may be subject to tax under one or more B&O tax classifications.

Retailing B&O Tax Classification

Income from conducting activities defined as retail sales or sales at retail is subject to B&O tax under the retailing classification. Businesses in the lodging industry making retail sales or providing services that are defined as retail sales must also collect the retail sales tax. (See the “Collection of Sales Tax” section on page six.) The retailing B&O tax applies to the gross proceeds of the sale.

What are retail sales?

The definition of a “retail sale” or “sale at retail” includes various activities. The following are retail sales:

- **Transient Lodging.** Provision of sleeping accommodations for periods of less than 30 continuous days.
- **“No show charge.”** A commonly used term describing the charge to a customer who purchases lodging but fails to arrive and occupy the lodging accommodations.

This situation generally occurs when the agreement between the lodging provider and the customer requires that the customer guarantee full payment of the lodging rate whether or not the customer actually shows. Assuming the customer has purchased lodging for a period of less than 30 continuous days, the no show charge is subject to retailing B&O, retail sales, and any applicable special hotel/motel taxes. If the customer has purchased lodging for a period of 30 or more continuous days, including the period covered by the no show charge, the no show charge is exempt of these taxes.

- **Deposit Forfeitures.** In this context, a deposit is a payment made by a customer to reserve lodging accommodations, generally up until a specified check-in time. These payments are generally applied towards the selling price of lodging, or are refunded if the customer does not purchase lodging. With some businesses, the deposit is nonrefundable if the person does not timely cancel the reservation and the retained deposit is taxable under the service and other activities B&O tax classification and sales tax does not apply.
- **Early and Late Departure Fees.** Hotels and motels sometimes charge customers fees for leaving earlier than they originally contracted to stay or if they check out later than the agreed upon time. These charges are taxable as sales of lodging.
- **Attrition Fees.** When a block of rooms are reserved for a customer at a bargain price, but the customer does not use the full block of rooms, the hotel may not honor the bargain price and charge an attrition fee (additional amount) for the rooms that are used. These charges are taxable as lodging (a retail sale).

- **Sales of tangible personal property to consumers.** A consumer is generally any person who uses tangible personal property or receives services defined as retail sales.
- **Food Service.** Charges for prepared meals are taxable as retail sales. This includes food service at restaurant facilities and food provided via room service.
- **Banquet/Meeting Rooms.** Charges by hotels for banquet and meeting rooms are taxable as retail sales.

Service and Other Activities B&O Tax Classification

Income from personal and professional services and activities not otherwise classified in Chapter 82.04 RCW is subject to B&O tax under the service and other activities classification. Hotel businesses may receive income taxable under this classification as follows:

- Commissions for allowing placement of coin-operated machines at the hotel. This includes cigarette machines, candy, amusement devices, etc.
- Commissions for acting as a laundry agent for guests when someone other than the hotel provides the laundry service.
- Commissions from long distance telephone service providers.
- Commissions from coin-operated telephones. Refer to the “Collection of Sales Tax” section on the following page for a further discussion of telephone charges.
- Fees for permitting a satellite antenna to be installed on the premises.
- Commissions for permitting a broadcaster or cable operator to make sales to hotel guests.

City Taxes

In addition to the state B&O tax, some Washington cities impose a B&O/public utility tax. The Department of Revenue does not administer these city taxes. Consequently, you should contact each city or town in which you conduct business regarding their specific taxes.

Collection of Sales Tax

Retail Sales Tax

In general, retail sales tax applies to transient lodging charges. The hotel has an obligation to collect retail sales tax on retail charges even if the hotel is acting as an agent for third parties with regard to such charges.

The following retail sales to consumers require collection of retail sales tax:

- Transient lodging charges
- Charges for meeting rooms
- Charges for telephone calls (long distance and local)
- Charges for vehicle parking
- Charges for food service
- Charges for video or game rental

Although buyers are subject to and must pay the sales tax when making retail purchases, sellers must collect and pay the tax to the Department of Revenue. Sellers are liable for the tax even if they do not collect it from the buyer.

Sales Tax Rates – Combined State and Local Sales Tax

Washington's retail sales tax is a combination of the state retail sales tax and the local retail sales tax. The Department distributes the local sales tax to local governments each month. The location of the sale will determine the sales tax rate to be collected. The state portion is 6.5 percent, while local sales tax rates range from 0.5 to 2.4 percent.

Local Retail Sales Tax

Persons making sales at retail must collect the local portion of sales tax along with the state sales tax. Local tax is reported on the excise tax return. Sellers must code their sales according to the location in which the retail sale is made. The coding on the excise tax return determines how the Department distributes the local sales and other taxes to local governments around the state. Because local governments depend upon these taxes to fund various local services, it's important to collect and report sales tax for the proper location.

Charges for lodging are subject to the combined state and local tax rate for the location where the lodging is provided.

Other local taxes to consider: The following are in addition to the state and local sales tax.

- **Special Hotel/Motel Tax:** From 1.0 to 5.0 percent. Imposed in certain areas.
- **Convention and Trade Center Tax:** Imposed in King County at a rate of 2.8 percent (7.0 percent in Seattle). Imposed on customers in King County if the lodging business has 60 or more units.

- **Regional Transit Authority (RTA):** A 0.4 percent tax that is collected in addition to state and local retail sales tax on sales made in portions of King, Pierce, and Snohomish counties.
- **King County Food and Beverage Tax:** A 0.5 percent tax that is collected in addition to the state and local retail sales tax, and RTA tax on sales of meals and beverages by King County restaurants, taverns, and bars. Sales by convenience stores are exempt from this tax.

A complete list of locations imposing these additional taxes, location codes and tax rates can be found on the Department's web site at <http://dor.wa.gov> under the Forms section, *Tax Return Information and Local Sales and Use Tax Changes* flyer or you can use the Geographic Information System located under the GIS Tax Rate Maps and Lookup icon.

Transient Rental Income

A business providing transient lodging must complete the "transient rental income" information section of the excise tax return. The four-digit location code must be listed along with the taxable income received from transient lodging for each facility located within a participating city or county.

Tourism Promotion Area Changes

RCW Chapter 35.101 authorizes cities, towns and counties to impose special lodging charges within designated tourism promotion areas for use in promoting tourism.

Currently, five areas – Clark County, Spokane County, Yakima County, the Tri-Cities and Liberty Lake – impose the charge. For more information, please refer to "Lodging Changes Special Notices" beginning on page 18.

Retail Sales Tax Exemptions and Deductions

Sales to the US Government

As explained in WAC 458-20-190, only those sales made directly to the U.S. government qualify for a retail sales tax exemption. Sales to federal employees or representatives of the federal government are subject to sales tax, even though the federal government may reimburse them for all or part of the expenses.

To be exempt from retail sales tax, charges must be paid by one of the following methods:

- A qualifying, exempt U.S. government credit card (refer to our Special Notice on Sales to the U.S. government);
- U.S. Government check;
- U.S. Government vouchers; or
- A standard Federal Form, SF 1165, accompanying the cash payment.

Diplomatic Exemption: Sales to certain foreign officials are exempt from retail sales tax, and the King County Food and Beverage tax. To receive the exemption, such persons must present an exemption card at the time of purchase. A colored stripe on the card identifies the level of exemption. All employees working directly with customers should be aware of the sales tax exemption, as well as restrictions that apply to foreign officials or missions. For more information, refer to the Special Notice “Sales Tax Exemption for Foreign Diplomats.”

Furnishing Emergency Lodging to Homeless: The charge for furnishing emergency lodging to homeless persons purchased via a shelter voucher program administered by cities, towns, counties, or private organizations that provide emergency food and shelter services is exempt from the retail sales tax, convention and trade center tax, and special hotel/motel tax. This form of payment does not affect the number of rooms requirement for the special hotel/motel tax or convention and trade center tax.

Other Non-retail Revenues

Some activities for which the hotel or motel acts as an agent are not subject to retail sales tax. For these charges, only the commission received by the hotel from the vendor is to be reported under the service and other activities B&O tax classification.

- **Satellite and Cable Charges:** This includes charges for movies and games accessed on the television of the room and charged to the guest’s invoice.
- **Beauty Salon and Barber Shop Charges:** These are charges for hair care provided by third parties and charged to the guest’s invoice.
- **Baby Sitting Charges:** The revenues are charged by a third party provider and charged to the guest’s invoice.

Agency Agreements

Reporting Retail Sales When the Hotel is an Agent

In some instances the hotel or motel may be acting as an agent for the seller of tangible personal property, renter or lessor of tangible personal property, or the provider of services. If the hotel or motel claims to be acting only in an agent's role, the provisions and requirements set forth in WAC 458-20-159 must be met. If the hotel or motel is acting as an agent and receives a commission or fee for this, the revenue is subject to the service and other activities B&O tax. Examples of the types of sales for which the hotel or motel may be acting as an agent are listed below. In all cases, the charges for the sales or services are posted to the guest's invoice.

The gross proceeds from the types of sales in this section should all be reported under the retailing B&O tax and retail sales tax classifications. The hotel or motel is then allowed to take a deduction under the retailing B&O tax classification on the excise tax return, which should be designated as "agency sale" on the deduction detail sheet of the return. There is no similar deduction under the retail sales tax classification and the agent should remit the retail sales tax with the return. Commission income received by the agent is reported under the service and other activities B&O tax classification. Activities that routinely occur at hotels and motels are listed below. Other types of revenues not listed that are subject to retail sales tax should be treated in the same manner.

Telephone Charges: The hotel or motel is acting as an agent for a long distance carrier for long distance telephone calls placed by guests. The method of reporting mentioned before only applies to guest charges. Long distance calls made by the hotel or motel management or staff are expenses and the entire amount of the bill should be paid to the long distance carrier.

Parking Fees: Hotels and motels sometimes contract with third party owners of parking facilities to allow guests to park in their lots. The lot owner will then notify the motel or hotel daily of which guests parked in the facilities and the amount owed by each. The hotel or motel will then post the amount due, including retail sales tax to the guest's invoice.

Laundry and Dry Cleaning: As a convenience to guests, hotels and motels contract with dry cleaning and laundry businesses to pick up and deliver dry cleaning and laundry to guests. The charges for these services are posted to the guest's bill.

Restaurant Charges: Hotels and motels sometimes have agreements with local restaurants (not owned by the hotel) which allow guests to purchase meals and have the bill posted to their lodging invoice. Additionally, guests are able to have room service provided by the restaurant and charged to their bill. It is the responsibility of the hotel or motel to ensure that the proper tax base is used in collecting the tax, i.e., mandatory gratuities are subject to retail sales tax.

Payment of Sales/Use Tax on Consumables

In addition to understanding when to collect Washington's retail sales tax, hotel operators must also understand when they owe use tax and deferred sales tax. The terms "sales tax," "use tax," and "deferred sales tax" are frequently used interchangeably. Although the rates are the same, the application of each tax differs according to the circumstances of the sale. Hotel operators making purchases for use as a consumer without payment of Washington's retail sales tax must understand when it is necessary to report and pay use tax or deferred sales tax. Deferred sales tax should be remitted based on the local code and rate of the seller, however use tax and sales tax should be at the rate of tax at the point of purchase.

Sales Tax You should pay sales tax when you purchase consumable goods and services. However, if you purchase goods from a private party that is not in business, or you purchase goods from out-of-state vendors, by subscription, mail order, Internet, etc., you may not be charged sales tax. However, you owe use tax on such goods if you use them in Washington.

Purchases of goods (and some limited services) for resale (without intervening use) are not subject to sales tax if a properly completed resale certificate is provided to the vendor.

Use Tax Use tax is due when goods are acquired for use (i.e., not for resale) in Washington without payment of the state's sales tax.

Use tax rates are the same as sales tax rates. Thus, the rates range from 7.0 to 8.9 percent depending on the location. For local use tax purposes, the location of first use of the property in Washington determines which rate applies. A business reporting use tax will generally use its location to determine which rate applies.

Taxable Purchases Hotel businesses must **pay** retail sales tax or use tax on purchases of retail services and items used and/or consumed by the business. The following list represents some common items purchased for use by hotels.

- Chairs, tables, supplies, furnishings and dishes
- Linens
- Pest control
- Repair parts and labor
- Beds
- Televisions
- Security systems
- Complimentary items: *soaps, shampoos, sewing kits, and other items provided free of charge to lodging customers*
- Telephone and cable infrastructure and equipment

References: WAC 458-20-166 and 458-20-178

Specific Topics to the Hotel Industry

How to compute taxable and exempt lodging

Example #1: An individual commits in writing to staying for a period of 30 consecutive days prior to arrival. The guest is assigned a room but 10 days into the stay is moved to another room. Provided the person pays for 30 consecutive days, this will be considered rental of real estate and not subject to any Washington state taxes.

Example #2: An airline contracts with a motel to pay for a minimum of 10 rooms per night even if fewer rooms are occupied for the month of April. On April 10, the airline only occupies eight rooms. Throughout the 30 day billing period, the airline is charged for 10 rooms per night. The charges for the rooms are considered non-transient rental and are not subject to any state tax. Any charges for rooms over and above the 10 rooms will be considered transient rental and subject to retailing B&O tax, retail sales tax, and the special hotel/motel tax, and convention and trade center tax, if applicable.

Example #3: An airline contracts with a motel to keep 15 rooms available for the month of April. The airline is allowed to cancel the rooms without paying for them if the motel is contacted before 6:00 p.m. During the 30 day billing period, the fewest number of rooms paid for is six. The six rooms will be considered non-transient rental and are not subject to any state tax. The rooms over and above the minimum six rooms will be considered transient rental and subject to retailing B&O tax, retail sales tax, and the special hotel/motel tax, and convention and trade center tax, if applicable.

Package Deals

Hotels and motels sometimes offer package deals to the public. The packages include the room and other amenities. The following is an example of a package that might be offered and the resulting tax consequences for the income realized by the lodging provider:

A hotel offers a \$250 “romantic getaway” package. The package includes a room for one night, a certificate to be redeemed when dining at a local restaurant, and two tickets to a local playhouse. The room also comes with a complimentary fruit and champagne basket.

The hotel purchases the two show tickets from the local playhouse on behalf of the guest upon registration at a total face value of \$60. The \$40 face value of the certificate issued by the restaurant is to be applied as payment towards the guest’s purchase of a meal and beverages at the restaurant. The guest is responsible for any restaurant billing in excess of \$40. The hotel receives a \$5 commission from the restaurant for each redeemable certificate it sells for the restaurant. The hotel purchases the complimentary fruit and champagne basket for \$15. The hotel properly segregates and accounts for the guest charges for the show tickets and restaurant certificate in its books and records.

Specific Topics to the Hotel Industry (continued)

The amount attributable to the sale of lodging is subject to the retailing B&O, retail sales, special hotel/motel, and convention and trade center taxes, if applicable, and is computed as follows:

Charge to guest	\$250
Restaurant Certificate	-\$40
Show Tickets	<u>-\$60</u>
Taxable Amount	\$150

The \$5 commission received from the restaurant is subject to the service and other activities B&O tax.

For information on restaurants and their tax reporting responsibilities, please consult the Department of Revenue's *Restaurant Guide* available through the Department's web site at <http://dor.wa.gov>, **Publications section** or by calling the Telephone Information Center at 1-800-647-7706.

Miscellaneous Items

Gratuities

Tips or gratuities given voluntarily by customers are not subject to tax. However, if the tip or gratuity is added to the bill and is a mandatory charge for services, the charge becomes part of the selling price and subject to tax.

One example of a situation in which charges for gratuities are not considered voluntary is when the amount is agreed upon and the contract document states that a gratuity “will be added.”

References: WAC 458-20-119 and WAC 458-20-124

Unclaimed Property and Unredeemed Gift Certificates

Unclaimed property is money or intangible property held for a period of time with no owner contact. The Washington Unclaimed Property Act protects unclaimed property until it is returned to its rightful owner or their heir. The Department of Revenue acts as the custodian for safe keeping of the property until the rightful owner can be located. Once the property is reported to the Department, it is available for refund to the owner or legal claimant indefinitely.

Washington State law requires businesses and other organizations to review their records each year to determine whether they hold any property that has been unclaimed for a set period of time. Businesses must file an annual report and deliver the property to the state. The length of time property is abandoned before being turned over to the state varies depending upon the type of property.

How to report unused gift certificates

Questions or requests for unclaimed property forms should be directed to:

Washington State Department of Revenue
Unclaimed Property
PO Box 47489
Olympia, Washington 98504-7489

Reference: RCW 63.29

Other Taxes

Personal Property Tax and Leasehold Excise Tax

Unless specifically exempt, all tangible personal property is subject to the personal property tax. Personal property tax rates are the same as for real property. Personal property includes machinery, equipment, furniture, and supplies of businesses. In general, the characteristic that distinguishes personal property from real property is mobility. Household goods and certain intangibles are exempt from personal property tax, unless used in a business activity. Business inventories are specifically exempt from personal property tax.

Everyone who uses personal property in a business or has taxable personal property must complete a personal property listing form(s) by April 30 each year. The listing form(s) must list the taxable personal property located in the county as of 12:00 p.m. on January 1. The listing form(s) must include the acquisition cost and year acquired for all taxable property. The assessor uses the listing form(s) to value personal property for taxes due the following year.

County assessors and treasurers levy and collect the property tax. Every January, county assessors mail personal property listing form(s) to persons who have previously listed personal property. Businesses that do not receive a listing form(s) or that have questions regarding paying real and/or personal property taxes should contact their local county treasurer's office. The number is listed in the county government section of the telephone book.

Leasehold Excise Tax

Persons or businesses that lease or otherwise possess and use publicly-owned real or personal property are subject to the leasehold excise tax. The tax is imposed in lieu of state and local property tax. Public property is property owned by the federal government, Washington State, counties, school districts, and other municipal corporations.

The amount subject to tax is generally the amount of rent paid to the lessor. Certain expenses and improvements may also be included in the taxable amount. Generally, the tax is collected by the public entity leasing property to private lessees. However, lessees of federal property must report directly to the Department of Revenue.

Reference: For more information regarding leasehold excise tax, contact the Department's Special Programs section at (360) 586-5190.

Record Keeping Requirements

All businesses must keep complete and adequate records that the Department may examine to determine tax liability. Such records must be kept for a period of five years.

In general, records are to be kept, preserved, and presented upon request of the Department that will demonstrate:

- The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers, sales journals, together with all bills, invoices, cash register tapes, or other documents or original entry supporting the books of account entries. The records should include all federal and state excise tax returns, reports, and all schedules or work papers used in the preparation of tax reports or returns.

Suggested records:

- Federal income tax returns
- Washington State excise tax returns
- General and subsidiary ledgers
- Sales and/or cash receipts journals
- Sales invoices
- Purchase/cash disbursement journals
- Purchase invoices for assets and expense items
- Financial statements
- Resale certificate for wholesale sales
- Documentation for any exemption claimed or given and any deductions taken

References: WAC 458-20-254

How to Prepare for an Audit

Audits are a routine procedure used to determine whether state excise taxes have been reported and paid correctly. The majority of businesses audited by the Department of Revenue (DOR) are chosen using statistical methods.

The period of time covered by an audit is generally four years, plus the current reporting period. An audit by the Department generally includes a review of the following reported on the excise tax return:

- Income – verification of proper amounts and classifications reported on the return.
- Deductions and exemptions – verification of proper amounts, classifications, and documentation.
- Purchases – verification of retail sales or use tax paid on capital assets and consumable supplies.

Records required during an audit include the following:

- Washington State excise tax returns and workpapers
- Federal income tax returns
- Summary accounting records – check register, general ledger, sales journal, general journal, cash receipts journal, and any other records you use to record income and expenses
- Purchase invoices
- Depreciation schedule along with purchase invoices for the assets
- Resale certificates
- Supporting documentation for all deductions and exemptions.

After the Audit

After a review of the business records, the auditor will explain any problems found and adjustments made. If you agree with the audit adjustments, the audit will be processed and you will be provided with a copy of all applicable schedules, laws, and rules. It generally takes about four to six weeks to receive the final audit copy. If the audit results in additional taxes owed, you have 30 days from the date the audit was mailed to pay the tax and interest in full. Overpayments or credits are either refunded or credited against amount due on future returns.

Appeal Rights

If you disagree with any audit findings, you may request a meeting with the audit supervisor. If an agreement cannot be reached at that time, you will be provided with information on the audit appeals procedures. You have 30 days from the date the audit report is mailed to appeal the audit.

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Convention & trade center tax	6
Deposit forfeitures	4
Early/late departure fees	4
Gratuities	13
Laundry/Dry cleaning charges	9
Leasehold excise tax	14
Package deals	11
Parking fees	9
Personal property tax	14
Record keeping requirements	15
Restaurant charges	9
Retail sales tax	6
Retailing B&O tax	4
Satellite and cable charges	8
Service and other activities	5
Telephone charges.....	9
Special Hotel/Motel tax	6
Tourism Promotion Area Charge	7
Transient rental income	7
Unredeemed gift certificates	13
Use tax	10

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LOCATION	LOCATION CODE NUMBER	LOCAL SALES TAX RATE	STATE SALES TAX RATE	TOTAL SALES TAX RATE	HOTEL/MOTEL TAX RATE	SPECIAL LODGING CHARGE PER NIGHT
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

LOCATION	LOCATION CODE NUMBER	LOCAL SALES TAX RATE	STATE SALES TAX RATE	TOTAL SALES TAX RATE	HOTEL/MOTEL TAX RATE	SPECIAL LODGING CHARGE PER NIGHT
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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LOCATION	LOCATION CODE NUMBER	LOCAL SALES TAX RATE	STATE SALES TAX RATE	TOTAL TAX	HOTEL/MOTEL TAX	ROOM CHARGE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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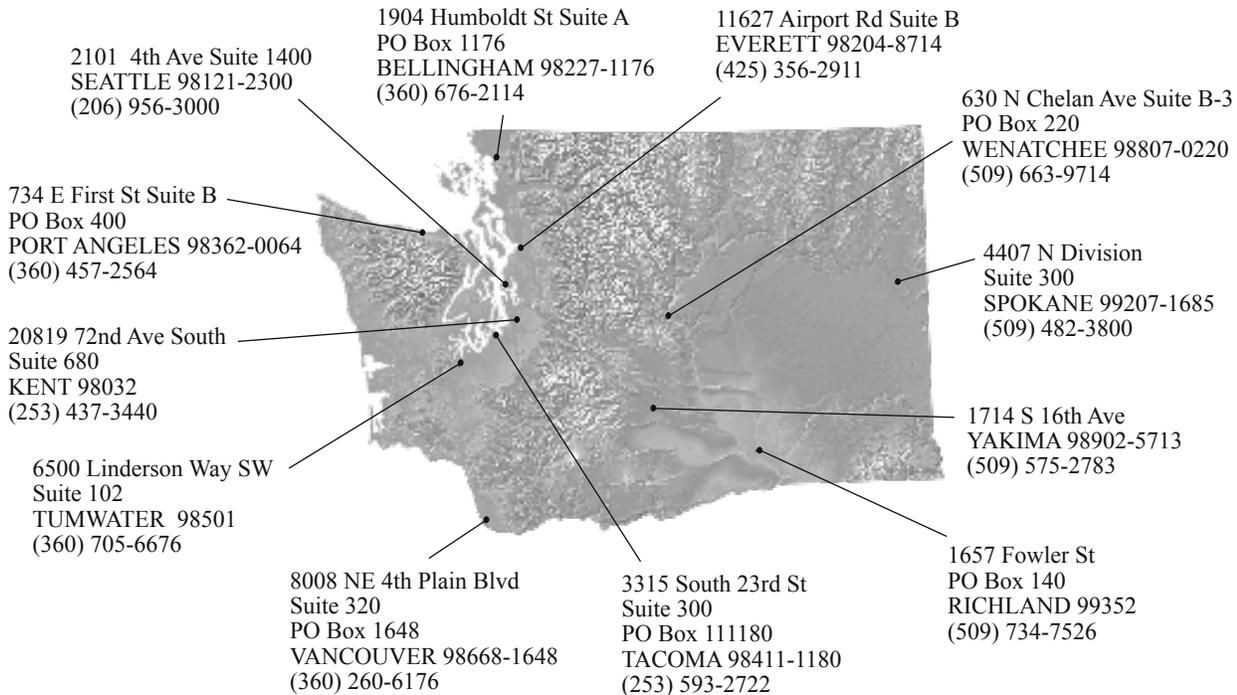
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Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

Local Office Locations



Telephone Information Center

1-800-647-7706

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