

# SPECIAL NOTICE

October 9, 2001

For further information contact:  
Telephone Information Center  
(360) 486-2346 or 1-800-647-7706

Alternate Formats (360) 486-2342  
Teletype 1-800-451-7985

## Reporting Income from Pull-tabs and Punch Boards

This Special Notice provides information about the tax reporting procedures for manufacturers, distributors and operators of gaming devices.

Prior to April 1, 1999, operators of pull-tab and punch board games awarding merchandise prizes were considered to be selling the prizes for the gross income derived from the games. Accordingly, the gross income from the operation of the games was subject to the retailing business and occupation (B&O) and retail sales tax. Consistent with that tax treatment, operators of the games were able to provide resale certificates to their vendors for the prizes. This method of reporting changed with the amendment of WAC 458-20-131.

Effective April 1, 1999, all "increases" for pull-tabs and punch boards are reported under the service and other activities B&O tax classification. The term "increases" is defined as the gross gambling receipts, less the monetary value or, in the case of merchandise, the actual cost, of any prizes awarded. The actual cost of the merchandise is the amount actually paid by the operator, including sales tax. In the case of donated merchandise, the operator may deduct the fair-market value of the merchandise. This includes the merchandise pull-tabs and punch boards previously reported under the retailing B&O tax classification on which retail sales tax was collected.

Hence, as of April 1, 1999, operators are not allowed to use resale certificates for purchases of items awarded to winners of merchandise pull-tabs and punch boards. Operators are considered to be the consumers of the merchandise purchased and therefore are required to pay the retail sales tax or use tax on these items. Manufacturers and distributors of these games should not accept resale certificates from the operators.

If you need assistance, please contact the Telephone Information Center at 1-800-647-7706 or (360) 486-2346.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.