WASHINGTON STATE DEPARTMENT OF REVENUE

SPECIAL NOTICE

January 21, 2005

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

Temporary Staffing Businesses Must Collect Retail Sales Tax on Retail Services

Washington State law requires *all businesses* to collect retail sales tax from customers when making retail sales of goods and services. This requirement also applies to temporary staffing businesses when they provide temporary workers **who perform retail services**. Following are common questions about temporary staffing businesses and the application of retail sales tax.

Have temporary staffing businesses always been required to collect retail sales tax?

The Department of Revenue's position is that Washington law has at all times required businesses providing temporary workers to collect sales tax on retail services. The Department is enforcing the seller's requirement to collect retail sales tax.

What charges by temporary staffing businesses are subject to retail sales tax?

Under Washington law, a retail sale (subject to sales tax) includes all charges to consumers for goods and services such as altering, repairing, or improving either real or personal property.* Sales tax must be collected by the seller from the buyer.

What if the buyer has not paid sales tax on past retail purchases?

If retail sales tax has not been paid to the temporary staffing business at the time of purchase, the consumer/buyer must report and pay any tax due directly to the Department of Revenue. Failure of the seller to collect the tax does not relieve the buyer from the responsibility to pay. *Registered businesses* should report untaxed purchases on the "Use Tax" line of their Washington State excise tax return. *Individuals* should report untaxed purchases on a "Use Tax Return for Consumers." Please refer to the Department of Revenue web site at http://dor.wa.gov. Click on "Forms" to see the Use Tax Return for Consumers, and "Taxes" for a fuller discussion of use tax.

EXAMPLE - What are some examples of retail sales by businesses that provide temporary workers?

Some examples are: construction services for the landowner, *including* commercial construction, roofing, siding, and sheet metal installation, electrical work, residential construction, excavation work, concrete work, painting and paper hanging, plastering/drywall/insulation installation, water/sewer/utility line installation, carpentry work, demolition, and site cleanup. Also subject to sales tax are landscape maintenance and installation, canned software installation, tangible personal property repair, hardware repair and maintenance, and fixture installation.

All of these services are subject to retail sales tax when performed for the consumer/owner *even if all that is provided is the labor*.

EXAMPLE - Are all sales listed in the above examples subject to retail sales tax?
Yes, unless *the buyer provides documentation for a specific exemption from the retail sales tax*. For example, the resale certificate documents that the purchase is for resale by the buyer, in which case retail sales tax does not apply. Other examples where retail sales tax may not apply are: work performed on qualifying transportation equipment for interstate "for hire" motor carriers (e.g., repairing, cleaning), services performed within Indian country for qualified Indians or Indian tribes, construction services performed for qualifying "sales tax deferred" projects, and certain repairs for qualifying manufacturing equipment. All claimed exemptions must be documented by the buyer. Proof must be retained by the seller.

Specific questions should be directed to the Department of Revenue, Taxpayer Services Division. You may call toll free at 1-800-647-7706.

* Note: Other specific services are included in the definition of "retail sale." For the full statutory definition, see RCW 82.04.050.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.