

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3084.2011

Issue Date: February 28, 2011

The information provided in this Excise Tax Advisory applies to periods prior to July 1, 2010. Effective July 1, 2010, the definition of "retail sale" was changed to exclude the sale for resale of a service that would otherwise constitute a "retail sale." See sections 202(14) and 210(11) chapter 106, Laws of 2010. Thus, service stations or automotive repair shops may provide a towing company with a reseller permit when purchasing a towing service for resale.

Retail Sales Tax - Charges for Towing Damaged or Inoperable Vehicles for Repair

RCW 82.04.050 includes specific business services within the definition of "retail sale." Generally, these retail services are not capable of being purchased by anyone for resale. The statute includes "charges" for such services as being "retail sales," without regard to whether they are performed for "consumers."

Retail services generally cannot be sold at wholesale and therefore resale certificates (WAC 458-20-102A) prior to January 1, 2010, or reseller permits (WAC 458-20-102) on or after January 1, 2010, may not be provided to persons who render retail services. Such service providers may not report their income from these kinds of services under the wholesaling B&O tax classification and avoid retail sales tax collection.

With respect to towing of damaged or inoperable vehicles to service stations or automotive repair shops for repair or servicing, the towing charges may be paid by the service station or repair shop as a simple matter of convenience, before being billed by the shops to the vehicle owner or other person (e.g. insurance company) for whom the repairs are done. The service station or shop does not itself benefit from the towing and does not include the towing as a component of any further repair work performed for the vehicle owner. Rather, towing charges of this kind are simply billed again by the station or shop to their customers, the vehicle owners or others, who ultimately pay for the towing and repairs on a straight through charge or marked up basis. The total charge, including the towing charge, made by the repair shop or service station to the vehicle owner or customer will be subject to retail sales tax.

Under the special circumstances outlined above, the Department will allow towing companies to accept resale certificates through December 31, 2009, and reseller permits on or after January 1, 2010, from the service stations or repair shops. Retail sales tax need not be collected and accounted for by such towing companies on these kinds of charges at this level of towing transactions. Income from such charges should be reported under the Wholesaling B&O tax classification by the towing company. Even though resale

To request this document in an alternate format, visit <http://dor.wa.gov> and click on "contact us" or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

General tax information is available on our website at dor.wa.gov.

Questions? Complete the online form at dor.wa.gov/communications or call 800-647-7706. If you want a binding ruling from the Department, complete the form at dor.wa.gov/rulings.

certificates are no longer used after December 31, 2009, they must be kept on file by towing companies for five years from the date of last use or December 31, 2014.

This is a unique factual circumstance pertaining only to towing damaged or inoperable vehicles which will be repaired or serviced. All other automotive towing is subject to sales tax on the charges paid by any person.
