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Repair Work on Goods Damaged in Transit Ordered by the Shipper, the Carrier, or the Owner

Does the retail sales tax apply to the repairing of items damaged in transit (a) when the work is ordered by the shipper, (b) when it is ordered by the carrier, or (c) the owner?

When goods that are held for resale are damaged in transit and the owner pays for the goods to be repaired, the repair is not subject to retail sales tax, if the owner provides a resale certificate (WAC 458-20-102A) for purchases made before January 1, 2010, or a reseller permit (WAC 458-20-102) for purchases made on or after January 1, 2010, certifying that the goods are for resale in the regular course of the owner's business activities. Upon receipt of the resale certificate or reseller permit, the person making the repairs may exclude the retail sales tax from its billing and report the transaction under the business and occupation tax classification, "wholesaling," RCW 82.04.060. Even though resale certificates are no longer used after December 31, 2009, they must be kept on file by the person making the repairs for five years from the date of last use or December 31, 2014.

However, when repair work was performed for the carrier or the owner is not in the business of reselling the goods being repaired, the transaction was a "sale at retail," RCW 82.04.050, subject to the retail sales tax.

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