Introduction

The staffing industry provides workers who perform a variety of business activities, including services rendered with respect to construction, customer software design and implementation, manufacturing and light industrial activities, other skilled and unskilled labor, clerical, and other professional services.

The gross income received by a staffing business for each of these activities is subject to the business and occupation (B&O) tax. The nature of the activity determines the appropriate classification and tax rate. In addition, staffing businesses must collect retail sales tax and remit the collected tax to the state on all income subject to the retailing classification of the B&O tax unless a specific statutory exemption applies.

This publication will assist the staffing industry in determining how to report their gross income and when to collect state and local retail sales tax. For general discussions of the business and occupation tax, sales tax, use tax and public utility tax, please refer to the appendices referenced in the Table of Contents.
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The Staffing Industry - Overview

**Taxable Income**

The tax owed by a staffing business is based on the gross income received for the work performed and the services provided. Generally, no deduction is allowed from gross income for payroll or any other expenses incurred by the business.

**B&O Tax Classification & Retail Sales Tax**

A staffing business is subject to tax based on the services provided to customers through their workers. This means the gross income received by the staffing business is subject to the classification of the business and occupation tax that applies to that activity.

When a worker performs an activity defined as a retail sale, the staffing business must collect sales tax from its customer. If a retail-type service is performed for a person that resells that service, such as construction work performed for a general contractor, sales tax is not collected. Instead, the staffing business is required to obtain a completed resale certificate from the contractor and report such charges for the worker under the Wholesaling B&O tax classification (RCW 82.04.050).

**Identifying the Proper B&O Tax Classification**

A staffing business is responsible for determining the applicable B&O tax classification for the activity to be performed by the worker. This determination should be made prior to dispatching the worker to the customer. It is important for the staffing business to know whether retail sales tax should be collected from the customer, or if an exemption certificate or other documentation should be obtained from the customer as evidence of a sales tax exemption.

**Note:** The staffing business should not assume that the income it receives through the activities of its workers is subject to tax under the same classification that the customer reports under.

The activity or service performed by the worker may be classified differently for tax purposes from the classification reported by the customer. For example, a person operating an insurance agency is taxable under the Insurance Agents B&O tax classification. If a temporary staffing business provides a receptionist for the insurance agency, the gross income received for the worker’s services is subject to B&O tax under the Service and Other Activities classification. This is because the receptionist is not providing services under the authority of an insurance agent’s license.

If the staffing business provides a worker who is licensed as an insurance agent to an insurance agency, and the worker performs services under the authority of that license, the related income is taxable under Insurance Agents B&O tax classification. In all cases, the staffing business must look to the activity engaged in by the worker, regardless of the nature of the customer’s business.

**Examples for Classifying Income**

Below are descriptions of the major B&O tax classifications and examples of the activities that fall within those classifications.

**Retailing**

Retailing B&O tax applies to gross income received for repairing, altering, or improving real or personal property for the property owner, even in those cases where only labor is provided. In addition, retail sales tax must be collected from the customer. Examples of retail services include:

- Commercial construction
- Residential construction
- Sheet metal installation
- Electrical work
- Roofing
- Excavation work
- Concrete work
- Painting
Retail Sales Tax Exemptions (Documentation Required)

All retail sales are subject to sales tax unless the customer provides documentation to establish its exemption from the retail sales tax. With documentation, certain retail sales and services are exempt from the retail sales tax. Examples include repair and/or maintenance of certain manufacturing machinery and equipment, and repair and/or maintenance of carrier property used substantially in interstate commerce.

In all cases where the customer claims exemption from retail sales tax, the client must provide the staffing business with a properly completed exemption certificate. The Buyers’ Retail Sales Tax Exemption Certificate (REV 27 0032) is used to document retail sales tax exemptions. This form can be downloaded from the Department of Revenue’s web site at http://dor.wa.gov/content/forms.

Wholesaling

Wholesaling B&O tax applies to income received for repairing, altering, or improving real or personal property for someone other than the property owner, even in those cases where only labor is provided. The gross income billed to the customer for wholesaling activities must be reported under the Wholesaling classification of the B&O tax. Retail sales tax is not collected. Examples include construction services performed for a prime contractor or subcontractor and repair work performed for a repair shop. In both of these examples, the labor is used by the customer to produce something for resale.

Specific Documentation Required: The customer must provide the staffing business with a properly completed Resale Certificate (REV 27 0020e). This form can be found on the Department of Revenue’s web site at http://dor.wa.gov/content/forms.

Manufacturing

The Manufacturing classification applies to all activities of a commercial or industrial nature where labor or skill is applied, by hand or machinery, to materials so that as a result a new, different or useful substance or article of tangible personal property is produced for sale or for commercial or industrial use. The tax is applied against the value of articles, substances, or commodities manufactured in Washington for sale to others as tangible personal property or for the manufacturer’s own use.

Processing for Hire

Processing for Hire B&O tax applies to income received for applying labor and mechanical services upon property belonging to others so that as a result a new, different, or useful article of tangible personal property is produced for sale or for commercial or industrial use. Thus, a processor for hire is any person who would be a manufacturer if that person were performing the labor and mechanical services upon his or her own materials. Examples include producing a fully or partially completed item from raw materials provided by the customer; assembling parts provided by the customer to produce a fully or partially completed item; performing a function on an assembly line that alters tangible personal property; and operating machinery on an assembly line that alters tangible personal property.
Service and Other Activities
The Service and Other Activities classification may be considered a “catch-all” classification of the B&O tax. It applies to any business activity for which a specific rate is not provided under the law, or which is not specifically exempt from excise taxes by statute. In general, it includes personal and professional services. Examples include:

- Accounting services
- Architectural design
- Beauty shop services
- Bookkeeping and payroll services
- Call center staffing
- Computer consulting services
- Computer programming
- Consultants
- Detective services
- Engineering services
- Hair cutting and styling
- Health care services
- Housecleaning services

The Service and Other Activities classification includes merely inspecting, sorting, counting, moving, packing, loading, or unloading or operating machinery that performs these tasks even when they are performed at a manufacturing facility.

Special B&O Tax Rates – Specific Licenses Required
Some activities may require the worker to have a special license or certification through the Department of Licensing. Generally, whether the worker has a license does not affect the application of tax. For example, income received from the activities of a health care worker is subject to the Service and Other Activities classification whether the activity requires a licensed physician or requires no license at all.

However, certain licensed professions have a special classification of the B&O tax classification that is lower than the Service and Other Activities classification. In order to take advantage of the lower B&O tax classification, the worker provided by the staffing business must hold the appropriate valid license and perform services under authority of the license. An example of this is seen in the Insurance Agents classification.

Public Utility Tax – Motor or Urban Transportation
The public utility tax is a tax on gross receipts, similar to the B&O tax. It applies to most utility services, such as water, power, and gas distribution, and sewerage collection. It also applies to providing transportation of persons or property for hire within five miles of the city limits (Urban Transportation classification) and beyond (Motor Transportation classification). These classifications apply whether or not the person performing the work owns the vehicle with which the activity is being performed.

Examples include taxi cab service, limousine service, and hauling goods belonging to others (hauling for hire). See WAC 458-20-180.
Engaging in More Than One Activity

A worker provided by a staffing business may be required to engage in several different activities while on the same job that by themselves are subject to tax under different B&O tax classifications. Generally, the Department of Revenue will allow the income to be reported based on the predominant activity. “Predominant activity” will be considered to apply where for any given charge, more than 50 percent of the time is spent working in one tax classified activity, and the billing is not segregated with respect to the minor activity.

In the absence of segregated charges for each activity, where there are more than two different B&O tax classifications that may apply to the activities performed, the classification that will apply for reporting purposes will be the one applicable to the activity the worker spends the greatest amount of time doing.

Please note that when two or more workers, engaged in different activities, are provided to one customer, the income from each worker is reported based on their predominant activity.

Examples

Example 1: A staffing business provides a housekeeper whose primary job is to clean an apartment (subject to the Service and Other Activities classification). The job also calls for the housekeeper to prepare one meal per day (subject to Retailing B&O tax and retail sales tax). The majority (over half) of the charge is associated with the housekeeping service (apartment cleaning). No segregated charge is made for the preparation of the meal. In this case, the predominant activity is cleaning the apartment. Therefore, the gross income received by the staffing business is reportable under the Service and Other Activities classification. Retail sales tax will not apply.

Example 2: A staffing business provides a construction worker to a developer/property owner to perform construction-related services (subject to the Retailing B&O tax and retail sales tax). The worker has a commercial driver’s license and is only occasionally required to drive the developer’s truck within the city to pick up a load of gravel (an activity subject to the Urban Transportation public utility tax). The worker also spends about one hour per day helping in the office. The predominant activity is performing construction work for a property owner since the greatest amount of time is spent performing retailing activities, and there is no segregated charge for the other lesser activities. In this case, the staffing business is subject to the Retailing B&O tax on the gross amount charged to the developer. Retail sales tax also must be collected by the staffing business on this charge to the customer.

Example 3: Same facts as Example 2, except that the staffing business also provides a receptionist to the developer/property owner. In this case, the staffing business also provides a receptionist to the developer/property owner. In this case, the staffing business is subject to the Retailing B&O tax on the gross amount charged to the developer for work done by the construction worker. Retail sales tax must also be collected on this charge. The staffing business is subject to Service and Other Activities B&O tax on the gross amount charged to the developer for work done by the receptionist.
B&O Tax and Public Utility Tax Exemptions and Deductions

There are limited deductions from the B&O tax and public utility tax. There are no deductions for amounts paid to the worker, amounts deducted for payroll taxes, or any other expenses whatsoever paid or accrued. (For a full listing of exemptions and deductions, refer to [http://dor.wa.gov/content/statistics/2004/tax_exemptions_2004/default.aspx](http://dor.wa.gov/content/statistics/2004/tax_exemptions_2004/default.aspx).)

Income received for work performed outside the state may be deducted from gross income. Similarly, an interstate haul is exempt from the public utility tax. Bad debts on which tax has been paid and which may be written off for federal tax purposes may be deducted.

**Note:** Exemptions and deductions that may apply to the customer do not automatically also apply to the staffing business. For example, certain nonprofit hospitals may qualify for a deduction for income received through Medicare. Non-profit and public hospitals are taxable on gross income at a special rate. However, the income received by a staffing business for providing physicians, nurses, or other healthcare workers to the hospital is fully taxable under the Service and Other Activities classification because the staffing business does not meet the criteria for the special nonprofit hospital classification, or for the deduction.

Similarly, income received by licensed Adult Family Homes is exempt from tax. However, the gross income received by a staffing business for providing a health care worker or other worker to the Adult Family Home is fully taxable under the Service and Other Activities classification.

Documentation

The burden to establish the proper B&O tax classification rests with the staffing business. Because the classification depends upon the services provided by the worker, the staffing company must obtain sufficient information from the customer to classify the income correctly.

**Documenting the Services Provided**

The staffing business must keep documentation to show what services their workers perform. All available information should be recorded concurrently with the assignment of the worker and the charge for the service. It is important that the customer’s labor and skill requirements are detailed upfront as much as possible prior to dispatch. This is particularly important for purposes of billing retail sales tax.

Documentation may be in the form of a copy of a customer order or other documented request by a customer for a worker. The documentation must state the specific work to be performed, and/or the worker skills requested by the customer. If the customer’s request comes in by telephone, the staffing business should ask exactly what type of services are required and write them down on an order form, or as a memo to the customer file. Also, the worker can provide a written explanation of the services actually performed.

**Detailed description:** Documentation to support the B&O tax classification must be sufficiently detailed to support the classification reported.

The classification of primary interest to the customer is Retailing. Only under Retailing is the seller of the service required to collect retail sales tax from the end user. Any other classification which does not directly impact the customer may be of less interest to the customer. Nevertheless, because the rates usually vary between
classifications, it is in the staffing business’ best interest to gather enough information to classify all services correctly.

Default to higher rate: When the nature of the activity performed by the worker is not documented in such a way to clearly establish the proper classification, upon audit examination the Department may find it necessary to default to the highest classification rate. This classification may be either the Retailing classification (retail sales tax also applies in this case), or the Service and Other Activities classification.

For example, if it is clear that work is performed for a customer in the construction industry, but it is not clear from the sales documentation that the customer is making a purchase of staffing services for resale, the Department will consider the sale to be retail in nature. Retail sales tax must be collected from the customer. In this case, it must be demonstrated that the customer is not a speculative builder (that is, not the consumer of the services provided). A sale to a speculative builder is a retail sale, subject to the Retailing B&O tax, and retail sales tax is to be collected from the customer.

Incorrectly Classified Income – Amended Returns

If, subsequent to filing a return, it is later determined by the staffing business that income has been incorrectly classified, amended returns should be submitted to the Department to make the appropriate adjustment. Information on amended returns can be found at [http://dor.wa.gov/content/doingbusiness](http://dor.wa.gov/content/doingbusiness).

Information leading to a change in classification may occur when visiting or inspecting a new customer’s operation. It may be determined by the staffing business that another B&O tax classification applies during a subsequent request for labor, at which time more details of the work assignment are revealed. At such time as it is clear that a different B&O tax classification should apply from the classification reported, a correction should be made on amended returns.

The requirement for filing amended returns is limited to the past four calendar years, plus all returns filed during the current year.

Reliance on the Best information Available

Staffing businesses are expected to use all information reasonably available for purposes of reporting under the proper tax classification. In all cases, upon review or examination by the Department, all facts and information will be used to verify the classification(s) reported. Please see page 9, “The Audit Process.”

Customer’s Responsibility to Keep Records

The customer has a responsibility to keep sufficient records to document the nature of the goods or services purchased by them. The Department requires the buyer of services to keep sufficient records in order to determine their true tax liability. This includes any liability for retail sales tax, or use tax, due on purchases of goods or retail services. Failure of the customer to retain such records may cause the retail sales tax to be imposed directly on them.

Re-billing for Retail Sales Tax

The customer is obligated to cooperate with the staffing business when documenting any claimed exemption from retail sales tax. Lacking evidence to establish an exemption, the staffing business may re-bill the customer for previously uncollected sales tax.

Re-billing may occur in those cases where additional information is obtained by the staffing business that indicates retail sales tax should have applied to the original billing. It may occur because the work performed by the worker is not as described, or understood, when the worker is dispatched. Until paid either to the Department or to the staffing business, the customer remains legally obligated to pay the sales tax.
Specific B&O Tax Applications

Following is a discussion of specific applications of the B&O tax for a variety of industries. Please also refer to the web site information contained in these discussions. In addition, you may refer to Appendix B for “decision trees” that may be helpful in identifying the correct reporting classification for various industries.

Construction

Construction laborers will be presumed to be engaged in retail activities unless otherwise documented. Construction laborers typically perform cleanup, manual hauling of materials at construction sites and perform other skilled and/or unskilled labor. If the construction laborers are engaged by a custom contractor, a resale certificate may be accepted by the staffing business. In this instance, sales tax would not be collected on the income. Instead, the charges would be subject to the Wholesaling B&O tax. For a detailed discussion of the taxability of construction services, please refer to the Construction Tax Guide at http://dor.wa.gov. Click on “Taxes,” and go to “Industry Specific Information.”

Processing for Hire

Workers dispatched to a manufacturer at a manufacturing site, who engage in impressing logos/labels/stickers onto packing or products or otherwise engaged in altering or improving the manufactured product are performing a manufacturing activity. The income received by the staffing business is reportable under the Processing for Hire B&O tax classification. In this case, the staffing business should document the nature of these activities and report the income from these workers under the Processing for Hire classification of the B&O tax.

Processing for hire does not include merely inspecting, sorting, counting, moving, packing, loading, or unloading or operating machinery that performs these tasks even when they are performed at a manufacturing facility.

Note: Processing for hire applies only when producing tangible personal property. It does not apply to construction services.

Processing for Hire – Special Application for Staffing Businesses:

Due to the difficulties in determining the extent to which workers are merely altering tangible personal property rather than creating something new, different, or useful, staffing businesses may elect to report under Wholesaling all income derived from providing temporary workers to manufacturing customers whose labor directly alters such property. This is in lieu of reporting some income under Wholesaling and some income under Processing for Hire. If the staffing business chooses to make inquiry with its client to determine the worker’s labor rises to the level of processing for hire, it may separately account for the processing for hire income and report accordingly.

Warehousing Activities

RCW 82.04.280(4) provides a tax rate of .00484 for businesses engaged in operating a cold storage warehouse or storage warehouse. A “storage warehouse” means a building or structure, or any part thereof, in which goods, wares, or merchandise are received for storage for compensation.

The gross income received by a staffing business for workers dispatched to a warehousing business are not classified under the Warehousing B&O tax classification because the staffing business does not operate the warehouse. The Warehousing classification applies only to persons operating a cold storage warehouse or storage warehouse.
Instead, the Service and Other Activities classification applies to income derived by providing workers to a warehousing operation. This is true even though the workers may operate forklifts or otherwise move merchandise at a storage facility.

**Insurance Agent Activities**

If a staffing business provides a licensed insurance agent to an insurance broker to perform services under the authority of the insurance agent’s license, the income received by the staffing business is subject to the Insurance Agents and Brokers B&O tax.

If a staffing business provides a receptionist, or other unlicensed worker to perform office services within an insurance broker’s office, the associated charges are subject to the Service and Other Activities B&O tax classification.

**Travel Agent Activities**

If a staffing business provides a person who arranges travel, the income received for these services is subject to B&O tax under the Travel Agents Tour Operators B&O tax classification.

If a staffing business provides a receptionist or other worker to perform office services for a travel agency, the income received for this service is subject to the Service and Other Activities B&O tax.

**Landscape/Lawn Maintenance Activities**

If a staffing business provides a worker to a landscape maintenance business, the income received for such staffing would be subject to Wholesaling B&O tax provided the customer presents the staffing company with a valid resale certificate. The Retailing B&O tax and retail sales tax apply to such charges if the customer does not provide a resale certificate or other evidence that the worker’s services are being resold by the customer (see page 2, “Wholesaling”).

**Janitorial Services**

If a staffing business provides a worker to perform routine janitorial services to a janitorial business, or any other person, such charges are subject to the Service and Other Activities B&O tax. Routine janitorial services include washing interior and exterior window surfaces; cleaning and waxing floors; cleaning interior walls and woodwork; cleaning in place of rugs, drapes and upholstery; dusting; disposing trash; and cleaning and sanitizing bathroom fixtures.

The term “janitorial services” does not include, among others, cleaning exterior walls of buildings; cleaning septic tanks; special clean up jobs required by construction, fires, floods, etc.; painting; papering; repairing; furnace or chimney cleaning; removing snow; sandblasting; or cleaning plant or industrial machinery or fixtures.
Computer Software Services

Income received for providing a worker to repair or alter computer hardware is taxable as a retail sale when the services are provided for the owner of the equipment. Retailing B&O tax applies and retail sales tax must be collected from the customer. Income received for services provided to the person who will resell the service to others is taxable under the Wholesaling tax (see page 2, “Wholesaling”).

Income received from customers or for providing a worker to install prewritten software (also referred to as “standard” and “canned” software – software created for sale to more than one person) is taxable as a retail sale. Retailing B&O tax applies and retail sales tax must be collected. Wholesaling tax applies if workers are provided to customers who will resell the service (see page 2, “Wholesaling”).

Income received for providing a worker to create custom software (software created for a single customer) or to “customize” prewritten software is taxable as a professional service, subject to the Service and Other Activities B&O tax. Retail sales tax does not apply to such charges. To “customize” prewritten software means any alteration, modification or development of applications using or incorporating prewritten computer software for a specific person. It also includes individualized configuration of software to work with other software and computer hardware, but does not include routine installation of prewritten software.

Stevedoring

Income received from engaging in stevedoring and associated activities is subject to business tax at the rate .0033. Stevedoring and associated activities means all activities of a labor, service, or transportation nature where cargo is loaded/unloaded from vessels involved in waterborne interstate or foreign commerce.

Specific activities taxable under the stevedoring classification are: wharfage, handling, loading, unloading, moving of cargo to a convenient place, documentation services, imported automobile handling, terminal stevedoring, and incidental vessel services. Providing workers to engage in these activities is subject to B&O tax under the Stevedoring tax classification.

The Audit Process

The Department of Revenue (DOR) routinely audits businesses to determine whether state excise taxes were reported and paid correctly. Audits are a learning opportunity for correct excise tax reporting.

When and Where the Audit will be performed

An auditor will contact you to schedule an appointment. It will be at a mutually agreed upon date and time. The audit may be performed at:

• your business or home.
• one of the Department’s local offices.

• your accountant’s, attorney’s, or other representative’s office.

We are committed to working with you in a professional and cooperative manner.

What is Reviewed During an Audit

The audit period is usually for the four preceding calendar years, plus the current year through the end of the last completed calendar quarter. The auditor will ask to review any documents that relate to the taxability of the activities performed by staffing workers for customers. The audit will cover three major areas:
1. Income — verification of proper amounts, classifications, and documentation.

2. Deductions and exemptions — verification of proper amounts, classifications, and documentation.

3. Purchases — verification of retail sales or use tax paid on capital assets, supplies, or articles manufactured for your own use.

Typically the auditor will review the following records:

- Customer Order Form
- Client Purchase Orders
- Customer Contract
- Billing Invoice
- Sales Journal
- General Ledger
- Check Register
- Chart of Accounts
- Financial Statements
- Resale Certificates
- Depreciation Schedules
- Purchase Invoice
- Federal Income Tax Returns and work papers

Other records relating to your business activities may also be requested. Any of the above records maintained in an electronic format should be available upon request. Depending on the software used, it may be as easy as giving the auditor a backup copy. For taxpayers with more complex systems, the auditor may request one of the Department’s computer specialists to work with your Information Technology (IT) department to download the requested information. For more information on the computer assisted audit program, go to [http://dor.wa.gov/Docs/Pubs/ExciseTax/AuditCollection/CAAP.pdf](http://dor.wa.gov/Docs/Pubs/ExciseTax/AuditCollection/CAAP.pdf).

Preparing for an Audit

The auditor will describe the records that will be reviewed. You should gather them before meeting with the auditor. The records requested usually include the following:

- Washington State excise tax returns and workpapers
- federal income tax returns for the business
- summary accounting records and source journals such as check registers, the general ledger, sales journal, general journal, cash receipts journals, and any other records you use to record income and expenses
- sales invoices
- purchase invoices (i.e., accounts payable, receipts)
- depreciation schedule and purchase invoices for assets acquired during the audit period
- resale certificates for any wholesale sales made
- supporting documentation for all deductions and exemptions

Although most audits can be completed with the above records, additional documents may be requested during the audit.

Electronic Records

The use of electronic records, when available, can greatly reduce the time required to complete the audit. You can provide electronic records on floppy disk, cd, or via e-mail.

What Happens During an Audit

The auditor may take a plant tour and/or observe your business operations. This will help their understanding of your business activities and accounting records.

The auditor will review your accounting records and provide you with valuable information and instructions for future use.

You may experience the following during the audit process:

Electronic Data Processing (EDP) review

The auditor will test your internal controls to ensure that the information contained in the computer selection menu accurately reflects the correct tax classification. The auditor will also review information flow from the time the client’s order is taken to final billing and payment.
Sampling
Depending on the amount of documentation to review the auditor will discuss the use of sampling. Sampling causes less disruption in the day-to-day business activities and is a more efficient use of time for both the auditor and the taxpayer. There are a number of different sampling techniques and the auditor will discuss which method would be the most practical based on the amount and type of documents to be reviewed.

Communicating results
The auditor will provide you with a list of any exceptions, or potential audit adjustments identified during the review. This will give you an opportunity to ask questions or to provide additional information that you believe may be relevant to these exceptions or adjustments.

Resale certificate review
The auditor will examine resale certificates to verify the reporting of wholesale income. During this review, the auditor may require a copy of a resale certificate(s) and listing of wholesale income from the client(s) providing the certificate(s). Should the Department choose to discuss the use of a resale certificate with the customer, the Department will notify you in writing of its intent to disclose the certificate. RCW 82.32.330 explains your right to object to such disclosure.

Retail sales tax collected
The auditor will reconcile the retail sales tax accrual account to ensure that all the retail sales tax has been reported. The auditor will generally use your general ledger and other financial reports to perform this reconciliation.

Use tax review
The auditor will also review your purchases to ensure retail sales or use tax was paid. As a general rule, the auditor will review all capital asset purchases on an actual basis. In many cases, the auditor will work with you to identify a sampling method for purposes of reviewing supply (commonly referred to as “consumable”) purchases.

Confidentiality
All information you provide will be maintained in strict confidence and is not available to the public. However, you should be aware that the Department has information-sharing agreements with the Internal Revenue Service and other state agencies.

After the audit
You will be notified of the audit findings. The auditor will explain any adjustment to you or your representative before finalizing the audit. If you have information we have not considered or you believe we made a mistake, please contact the auditor promptly.

If you agree with the adjustments:
The auditor will ask if you want to make an audit prepayment for additional taxes owed. Full payment will include the tax, assessment penalty, and estimated interest. You would save money by making the payment since interest accrues until the taxes are paid in full.

The audit will be processed and the assessment package will be mailed to you. This will take approximately four to six weeks.

If you have not prepaid the assessment, you have 30 days from the date it was mailed to pay in full. If you prepaid the assessment, a balance due may still exist because of the estimated interest calculation.

Additional interest and late payment penalties may be added if payment is not received by the due date.

Please contact the audit manager if payment cannot be made promptly.

If you have overpaid your taxes, you will receive a credit notice to apply against future
returns. However, you may request a refund check.

**If you disagree with the adjustments:**
You may request a conference with the auditor’s manager and review disputed issues.

If agreement cannot be reached, you have 30 days from the date the audit report is mailed to appeal to the Department's Appeals Division.

If you file an appeal prior to the assessment's due date, you should pay the unprotested amounts. Payment is not required for the protested amounts and will remain due pending the appeal. However, interest continues to accrue until taxes are paid in full.

If you file an appeal more than 30 days after the audit report is mailed, you must pay the total amount due and petition for refund.


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**Appendix A - State Tax Overview**

**Major Taxes in Washington**
Most businesses are subject to four major Washington taxes:
1. Business and Occupation tax
2. Retail Sales Tax
3. Use Tax
4. Public Utility Tax

**Business and Occupation (B&O) Tax**
The state B&O tax is a gross receipts tax imposed on the business. It is measured on the value of products, gross proceeds of sale, or gross income of the business. There are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business. Depending on the type of sale or service provided, one or more of various B&O tax classifications may apply. The tax rates vary depending on the specific classification that applies to the activity. The major B&O tax classifications and their rates are as follows:

- **Retailing**: 0.471%
- **Wholesaling**: 0.484%
- **Manufacturing/Processing for Hire**: 0.484%
- **Service & Other Activities**: 1.5%

The **Retailing** classification applies to sales of goods (including leases and rentals) and certain services to persons who will not resell the goods and services to others. Retailing generally includes those services performed on tangible personal or real property, including decorating, cleaning, repair, construction, and landscape maintenance.

The **Wholesaling** classification applies to sales of goods (including rentals and leases) and certain services to persons who will *resell* them to others. If you are a wholesaler, you must receive and retain a signed resale certificate from each buyer.

The **Manufacturing** classification applies when creating something new, different or useful from “raw materials.” The tax is applied against the value of articles, substances, or commodities manufactured in Washington for the manufacturer’s own use, or for sale to others as tangible personal property. The **Processing for Hire** classification applies when this activity is performed on property belonging to another.

The **Service and Other Activities** classification is a “catch-all” classification. It applies to business income derived from activities that are not specifically taxed under any other classification. This classification applies to a variety of services, including services of lawyers, doctors and other medical services, accountants/bookkeepers, beauticians, janitors, and others not specifically classified elsewhere for tax reporting purposes.
For more information on common business activities, go to the Department’s web site at http://dor.wa.gov. Select “Doing Business” at the top of the page, then click on the link “Common Business Activities Table.” This will provide a list of common classifications reported for a variety of business activities. It will also provide you with a link to relevant rules and laws related to the classification.

Retail Sales Tax
Retail sales tax is imposed on the consumer of retail goods and services and must be collected by the seller. It is composed of a state portion, which is 6.5 percent, and a local government portion, which varies according to the local tax jurisdiction that imposes the tax. It applies to all sales subject to the Retailing classification of the B&O tax unless there is a specific statutory retail sales tax exemption. It is the buyer’s burden to establish with the seller their entitlement to any claimed exemption.

Retail sales tax is based on the total selling price, which includes all charges for labor, materials, freight, handling, and any other amounts billed. This is true even when the charges are separately stated.

Itemizing Sales Tax
All documents of sale must separately state retail sales tax. The tax cannot be included in a lump sum price. When sales tax is not separately stated it will be presumed that the tax was not collected by the seller or paid by the buyer. In that case, the seller may be held personally liable for the tax. In all cases, the law holds the buyer responsible to the seller and to the state for the amount of the unpaid tax.

Local Sales Tax Rates
Retail Services: When retail services are provided, the local sales tax rate is determined by the location at which the retail services are provided. Persons not sure which local retail sales tax rate applies to a particular location can use the Geographic Information System to look up the tax rate by address, or by using a map feature. (See http://dor.wa.gov/content/gis.)

Also, for more discussion on retail sales tax, go to http://dor.wa.gov and select “Taxes,” then click on “Retail Sales.”

Use Tax
In general terms, use tax is a tax on the use of goods and certain services in Washington when sales tax has not been paid. Goods used in this state are subject to either the sales or use tax, but not both. Thus, the use tax compensates when sales tax has not been paid.

Use tax is based on the value of the article or service, which includes the charges for labor, materials, freight, handling, and any other amounts paid or accrued even when separately stated. Sales tax paid to another tax jurisdiction outside Washington may be used to offset the amount of use tax due in this state.

The rates within each taxing jurisdiction are the same as the sales tax rates. The correct local rate for use tax is determined by the location at which the goods are first put to use in the state.

For more information on use tax, please refer to the Department’s web site at http://dor.wa.gov. Go to “Taxes” and click on “Use Tax.”

Public Utility Tax
The public utility tax applies to gross income derived from operation of public and privately owned utilities, including the general categories of transportation, communications and the supply of energy and water. Income from utility operations is taxed under the public utility tax and is in lieu of the B&O tax; other income of the utility firm (e.g. retail sales of tangible personal property) is subject to B&O tax. Unlike the B&O tax which pyramids
(i.e. different firms may be taxable on income derived from the same product), the public utility tax applies only on sales to consumers.

**Examples of exemptions and credits**
- Income less than $500 per month;
- Providing ride-sharing for commuters and transportation of elderly and handicapped persons

**Examples of deductions**
- Purchases for resale, cash discounts and credit losses
- Income from interstate transportation of persons or property
- Payments by one utility to another for jointly providing the same service to customers
- Interstate transportation via “through freight billing” and shipments to ports for export

---

**Appendix B – Decision Trees**

1. **Insurance Agency Client**

   **Is the employee licensed?**

   - **Yes**
     - Insurance agent
     - B&O tax
   - **No**
     - Will the employee provide services for which a license is needed?
       - **Yes**
         - Service
         - B&O tax
       - **No**
         - Will the employee improve or alter real/personal property?
           - **Yes**
             - Retailing
             - B&O RST
           - **No**
             - Service
             - B&O tax
2. Travel Agent Client

Is person arranging travel?

Yes

Travel Agent B&O

No

Will the employee improve or alter real/personal property?

Yes

Retailing B&O

Retail Sales Tax

No

Service B&O
3. Waterborne Shipping Company Client

Is the activity loading and unloading, moving cargo at a port/waterway in which shipment is to/from interstate location? (RCW 82.04.260 (9))

- Yes
- No

Is the location a port/waterway at which shipment is to/from an interstate location?

- Yes
- No

Stevedoring B&O

Service B&O

Will the employee alter real/personal property?

- Yes
- No

Retailing B&O Retail Sales Tax

Service B&O
4. Computer/Technology Services

Will the employee perform programming services?

Yes → Service B&O

No → No

Will the worker install/repair hardware?

Yes → Will the worker install/repair hardware?

No → Service B&O

Yes → Is this a wholesale job?

No → Retailing B&O

Retail Sales Tax

Yes → Is a resale certificate obtained?

No → Retailing B&O

Retail Sales Tax

Yes → Wholesaling B&O

No → Retailing B&O

Retail Sales Tax
6. Contractor Client

**Will the employee perform janitorial services to re-clean a home/building?**
*(Det. 01-196, 22 WTD 056)*

- **Yes** → **Service B&O**
- **No** → **Is this a wholesale job?**

- **Yes** → **Is a resale certificate obtained?**
  - **Yes** → **Wholesaling B&O**
  - **No** → **Retailing B&O Retail Sales Tax**
- **No** → **Retailing B&O Retail Sales Tax**
## Appendix C – Laws, Rules, & Other Guidance for the Staffing Industry

<table>
<thead>
<tr>
<th>Law</th>
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<tr>
<td>RCW 82.04.070: Gross proceeds of sales</td>
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<td>“Gross proceeds of sales” mean the entire proceeding or earning from the sale of tangible personal property and/or for services rendered, without any deduction on account of the cost of property sold, the cost of materials used, taxes, interest, discount paid, delivery costs, wages, or any other expense whatever paid or incurred and without any deduction on amount of taxes.</td>
<td>WAC 480-20-001</td>
<td>City of Bremerton v. William Alger</td>
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<td>EIA 2016/4.1.113</td>
<td>&quot;Temporary Staffing Companies&quot;</td>
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<tr>
<td>RCW 82.04.080: Gross income of the business</td>
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<tr>
<td>“Gross income of the business” mean the entire proceeding or earning by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gross realized from trading instants, bonds, or other evidences of indebtedness, interest, discount, rent, royalties, fees, commissions, dividends, and other reimbursements however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, taxes, interest, discount, delivery costs, wages, or any other expense whatever paid or incurred and without any deduction on amount of taxes.</td>
<td>WAC 480-20-001</td>
<td>City of Bremerton v. William Alger</td>
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<td>&quot;Temporary Staffing Companies&quot;</td>
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Staffing businesses provide temporary services. Workers or employees of the staffing business rather than the client. A staffing business is engaged in the same activity as those performed by the employee they provide.

The applicable EIA/ES tax classification is determined by the nature of the activity performed by the employee and the statutory requirements of the open list classification.
### RCW 82.04.090: Consumer

"Containers" means the following: (1) Any container which contains, acquires, carries, holds, or stores any article of tangible personal property irrespective of the nature of the person's business and including, among others, without limiting the scope hereof, containers to be filled, returned, re-usable, returnable, or returnable bottle or can; (2) any container containing such property as an ingredient or component of any article of tangible personal property; (3) any article that contains or consists of such property; or (4) any container containing such property in packaging, labeling, or advertising.  These definitions include, but are not limited to, any container that contains or consists of such property as an ingredient or component of any article of tangible personal property; or (4) any container containing such property in packaging, labeling, or advertising.

When the activities performed are defined in regulations, the regulations shall control the interpretation of the terms "consumption" and "consumer." If the consumer's duties are not defined in the regulations, the activities performed are defined in regulation.

### RCW 82.04.090: Value proceeding or accounting

"Value proceeding or accounting" means the consideration, whether monetary, credit, deposits, or other property, representing the actual value of the property, actually received or to be received. The term shall be applied in calculating a business's gross profit or loss during the taxable period to which the method of accounting is applicable in determining the book value of the taxpayer. However, pro rata or proportionate value will be determined under chapter 22.09 RCW only if it is to report the value proceeding or accounting on the basis of gross profit or loss. The regulations may provide that the value proceeding or accounting on the basis of gross profit or loss is to be determined on the basis of the amount of the sales for which the payments become due.

### Comments

Staffing businesses that hire, utilize, and compensate employees for payment, may not evade or avoid the pay rate, expenses, and taxes, etc., from the measure of labor.

When the activities performed are defined in regulations, the requirements shall control the interpretation of the terms "consumer" and "value proceeding or accounting." If the consumer's duties are not defined in the regulations, the activities performed are defined in regulation.
(7) Any person who is in violation of all machinery and equipment, the rental of which is exempt from the tax imposed by RCW 82.08.020 under RCW 82.08.0255, shall be subject to the tax of one hundred and twenty percent of the rental of all machinery and equipment, except that the amount of such tax paid on machinery or equipment owned by the person who is in violation of all machinery and equipment shall be equal to the tax paid on machinery or equipment owned by the person who is in violation of all machinery and equipment, multiplied by the rate of 0.171 percent.

(8) Any person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development.

**RCW 82.08.250: Tax on retailers**

*Expires: July 3, 2006.*

(1) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (2) or (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(2) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(3) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(4) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(5) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(6) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(7) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(8) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(9) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(10) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.

(11) Upon every person engaged in the business of dealing in the United States, or its overseas territories, automobile sales, and other types of weapons, production and nuclear research and development, except as provided in subsection (3) of this section, the tax imposed hereby shall be equal to the gross proceeds of sales or the business, multiplied by the rate of 0.171 percent.
(a) "Sale at retail" or "retail sale" means every sale of tangible personal property (including articles, furnishings, fabricated, or essentially to all practical purposes of the nature of their business and conducible, among others, without limitation, to the sale of real estate, mixed goods, machinery, equipment, livestock, aircraft, vessels, buildings, or structures and personal property of any nature whatsoever or other than articles in a business of grossing and property of that class, to be sold by a person who possesses the necessary or substantial under RCW 82.04.100 and 800.

(b) "Sale at retail" or "retail sale" means every sale of tangible personal property of or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(c) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(d) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(e) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(f) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(g) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(h) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;

(i) "Sale at retail" or "retail sale" means every sale of tangible personal property or for consumption, if such tangible personal property becomes an ingredient or component of immovable or personal property without substantial use by individual;
### Washington Administrative Code (WAC) 20.26.060

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<td>20.26.060: Sale of retail, retail sale (continued)</td>
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<td>2(a) The term “sale at retail” or “retail sale” shall include the sale of or change made for tangible personal property unboxed and/or for labor and services rendered in respect to the following:</td>
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<td>(a) The installing, repairing, cleaning, altering, improving, or improving of tangible personal property of or for customers, including the installing or adding of any article of tangible personal property therein or therein, whether or not such personal property becomes a part of the realty by virtue of installment, and shall include article the sale of services or changed made for the obtaining of land and the carriage of such including the mere finishing of land used or commercial housing or apartments;</td>
<td>WAC 20.26.173</td>
<td>Installing, cleaning, altering, improving or improving of personal property of or for customers.</td>
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<td>(b) The change for labor and services rendered in respect to:</td>
<td>WAC 20.26.176</td>
<td>Constructing and repairing of means or existing buildings or structures, or for customers, including the installing or adding of any article of tangible personal property therein or therein, whether or not such personal property becomes a part of the realty by virtue of installment, and shall include article the sale of services or changed made for the obtaining of land and the carriage of such including the mere finishing of land used or commercial housing or apartments;</td>
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<td>(c) The sale of or change made for labor and services rendered in respect to the cleaning, finishing, structuring or moving of existing buildings or structures.</td>
<td>WAC 20.26.174</td>
<td>Cleaning, structuring, finishing, moving</td>
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<td>(d) The sale of or change made for labor and services rendered in respect to the cleaning, finishing, structuring or moving of existing buildings or structures.</td>
<td>WAC 20.26.129</td>
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(d) The sale of real property for the purpose of building, and all other services by a hotel, boarding house, tourist court, office, sales, and the granting of any similar license or lease of real property, or distinguished from the sale of real property and it shall be presumed that the occupants of real property for a continuous period of one month or more constitute a hotel or house of real property and not a mere license to one can occupy the same. For the purpose of such presumption, it shall be presumed that the sale of each sale for the purpose of building, but not for a continuous period of one month or more shall be a hotel or house of real property and not a mere license to one can occupy the same.

(e) The sale of or change made for tangible personal property, labor and services to persons taxable under (a), (b), (c), (d), (e), and (f) of this subsection when such sale or change are for property, labor and services which are used or consumed on the same in part by each person in the performance of any activity defined as a "sale at retail" or "sale at wholesale" through real property, labor and services may be sold under such one or changes only. Nothing contained in this subsection shall be construed to modify subsection (1) of this section and nothing contained in subsection (3) of this section shall be construed to modify this subsection.

(f) The term "sale at retail" or "sale at wholesale" that includes the sale of any change sale for personal, business, or professional services concerning services designated as personal, retail, service, business, and other services concerning services that are directed to the service that is engaged in the following business activities:

(a) Amusement and recreation services including, but not limited to golf, quad, billiards, skating, bowling, ski lifts and runs, ski trips for sightseeing purposes, and others, unless prohibited by law;

(b) Amusement, fairs, carnivals, and amusement shows;

(c) Credit transactions;

(d) Automobile parking and storage garage service;

(e) Landscape maintenance and landscaping service; and

(f) Parking, landscaping, regulating, maintaining, and cleaning of street, sidewalk and public traffic, and transmission or distribution lines and equipment, if performed by or at the direction of an electric utility.
### RCW 63.04.040: Sale, casual or isolated sale, lease or rental

(1) "Sale" means any transfer of the ownership of title to, or possession of property for a valuable consideration and includes any activity classified as a "sale at retail" or "sale at wholesale" under RCW 63.04.030. It includes lease or rental, conditional sale contracts, and any contract under which possession of the property is given to the purchaser for the payment by the lessee an amount for the payment of the purchase price. It does not include the furnishing of food, drink, or meals for compensation whether or not paid upon the premise or not.

(2) "Casual or isolated sale" means a sale made by a person who is not engaged in the business of selling the type of property involved.

(3)(a) "Lease or rental" means any transfer of possession or control of tangible personal property for a fixed or determinable term for consideration. A lease or rental may include future options to purchase or extend. "Lease or rental" includes agreements covering moves or vehicles and leases where the amount of consideration may be ascertained or determined by reference to the amount stipulated or provided on the completion of the property as defined in 26 U.S.C. Sec. 7874(b)(1), as amended or reenacted as of January 1, 2003. The definition includes subsection (b) and any transfer of possession if a transfer is characterized as a lease or rental and generally accepted accounting principles, the United States Internal Revenue Code, Washington State's commercial code, or other provisions of federal, state, or local law.

(b) "Lease or rental" does not include

(a) A transfer of possession or control of property under an arrangement for deferred payment plan that requires the transfer of title upon completion of the required payments.

(b) A transfer of possession or control of property under an arrangement that requires the transfer of title upon completion of required payments or payment of an option price does not exceed the greater of the lesser of five thousand dollars or one percent of the total required payments; or

(c) Possessing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of such possession is that the operator is responsible for the tangible personal property in possession as designated. For the purposes of this subsection (3)(b)(c), 

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RCW 82.08.020: Tax imposed — Retail sales — Retail car rental

(1) There is levied and there shall be collected a tax on each retail car rental in this state equal to six and five-tenths percent of the selling price.

(2) There is levied and there shall be collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection shall be deposited into the state transportation account created on RCW 47.68.020.

(3) Beginning July 1, 2010, there is levied and there shall be collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle to this state, other than retail sales to entities listed under subsection (2) of this section. The revenue collected under this subsection shall be deposited into the transportation account created in RCW 47.68.020.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 82.08.030, but does not include farm vehicles, or farm vehicles as defined in RCW 82.08.010 and 82.08.150, self-moving and moving heavy vehicles as defined in RCW 82.08.020, and commercial vehicles as defined in RCW 82.12.005.

(5) The taxes imposed under this subsection shall apply to any motor vehicle rental of the same property.

(6) The rates provided in this section apply to taxes imposed under chapters 82.08, 82.09, and 82.12 RCW as provided in RCW 82.12.020.

RCW 82.08.050: Buyer to pay, seller to collect tax — Statement of tax — Exception — Penalties — Contingent expiration of subsection

Effective July 1, 2001.

(1) The tax hereby imposed shall be paid by the buyer to the seller, and said seller shall collect from the buyer the full amount of the tax payable in respect to such taxable sale on account of which the seller is authorized, under the authority of subsection (3) of this section, to charge the buyer's account in the premises of RCW 82.08.010.

Unless a specific retail sales tax exemption applies, the buyer is responsible for paying the retail sales tax to the seller and the seller is responsible for collecting and remitting the tax to the Department. If the seller has not collected the sales tax or properly maintained records substantiating exemptions claimed, the Department will hold the retailer liable for the tax.

Documentation is necessary to verify state tax exemptions. Use the Buyer's Retail Sales Tax Exemption Certificate.
(3) The tax required by this chapter to be collected by the seller shall be deemed to be held in trust by the seller until paid to the department, and any seller who appropriates or converts the tax collected to his or her use or use or uses other than the payment of the tax to the extent that the amount required to be collected is not available for the payment on the due date of the tax as specified in this act is guilty of a misdemeanor.

(4) In case any seller fails to collect the tax herein required or, having collected the tax, fails to pay it to the department in the manner prescribed by this chapter, whether such failure is the result of his or her own act or the result of acts or conditions beyond the control of the seller, the seller, notwithstanding his or her personal liability to the State for the amount of the tax, unless the seller has taken from the payee a sales and use tax receipt under RCW 82.12.030, 82.12.040, 82.12.060, a copy of a direct pay permit issued under RCW 82.12.060, or information required under the Uniform Sales and Use Tax Agreement, or information required under rules adopted by the department, such seller shall not be relieved from personal liability for the amount of the tax unless the department prescribes in writing that such regulations and procedures shall be followed by the department when requested.

(5) The amount of tax, until paid by the seller to the department, shall constitute a debt from the buyer to the seller and any seller who fails to collect the tax as required under this chapter is guilty of a misdemeanor.

(6) The tax required by this chapter to be collected by the seller shall be deemed to be held in trust by the seller until paid to the department, and any seller who appropriates or converts the tax collected to his or her use or use or uses other than the payment of the tax to the extent that the amount required to be collected is not available for the purpose of this chapter or to gain some advantage to himself, himself, or another, or in any manner whatever to pay any tax due under this chapter is guilty of a misdemeanor.
(6) Where a buyer has failed to pay the tax imposed by this chapter and the seller has not paid the amount of the tax to the department, the department may, in its discretion, proceed directly against the buyer for collection of the tax, in which case a penalty of ten percent may be added to the amount of the tax for failure of the buyer to pay the same to the seller, regardless of when the tax may be collected by the department, and all of the provisions of chapter 82.32 RCW, including those relating to interest and penalties, shall apply in addition and, for the sole purpose of applying the various provisions of chapter 82.32 RCW, the twenty-fifth day of the month following the tax period in which the purchase and sale shall be considered as the due date of the tax.

(7) No person making statements (1) through (6) of this section may, in any written notice sent to the seller, include any reference to any obligation of the seller to pay the tax imposed by this chapter.

(a) The person's activities in this state, whether conducted directly or through a mobile phone, are limited to

(i) The storage, dissemination, or display of advertising;

(ii) The taking of orders;

(iii) The processing of payments; and

(b) The activities are conducted exclusively via mobile phone, a service, or other computer equipment located in Washington that is not accessible by the person maintaining its site in this state and operated by an affiliated person. “Affiliated person” means the person maintaining its site as governed in RCPW 82.06.02.

(8) Subsections (7) of this section do not apply when (a) the United States comptroller general, or the comptroller general of the state, or the comptroller general of the United States, or any other entity, has determined the validity of the tax imposed by this chapter, or (b) it is determined by a court of competent jurisdiction, or a judgment against the person that the tax imposed by the comptroller general, or the comptroller general of the state, or the comptroller general of the United States, or any other entity, has determined the validity of the tax imposed by this chapter.

RCW 82.34.0170: Resale certificate — Burden of proof — Tax liability — Rules — Resale certificate defined

(1) Unless another has taken from the buyer a resale certificate, the burden of proving that a sale of tangible personal property, or of services, was not a sale at retail shall be upon the person who made it.

(2) If another does not receive a resale certificate at the time of the sale, there is resale certificate in the hands of the buyer within a reasonable time after the sale, the buyer shall remain liable for the tax as provided in RCW 82.33.050, unless the seller can demonstrate that the tax was paid to the department of revenue on the resale certificate.

(3) A resale certificate shall be valid for a period of four years from the date it is issued.

WILC 090.20.032
(Resale
Certificates)
### RCW 82.04.060: Sale at wholesale, wholesale sale

<table>
<thead>
<tr>
<th>State net tax that apply to retail sales</th>
<th>Wholesale net passed to manufacturer at a manufacturing site to improve the manufacturing product. Included in Temporary Structure (not affecting retail activities) for a period of time longer than the manufacture.</th>
</tr>
</thead>
</table>

(1) Any sale of tangible personal property, any sale of services defined as a retail sale on RCW 82.04.010(3)(a), any sale of amusement or entertainment tax as defined in RCW 82.04.010(3)(b), any sale of a service definition on RCW 82.04.010(3)(c), any sale of telephone service as defined in RCW 82.04.010(3), which is not a sale of retail, and

(2) Any change made by labor underwritten, measured the product sales are not consumed on, subject to exist as personal property, if that change is expressly defined as a retail sale by RCW 82.04.010(3) is not considered to be the manufacture. For example: That the term "retail on personal property" as used in this subsection that will include any natural product as defined on RCW 82.04.190.

### RCW 82.04.270: Tax on wholesalers

<table>
<thead>
<tr>
<th>State net tax that apply to retail sales</th>
<th>State net tax that apply to retail sales</th>
<th>State net tax that apply to retail sales</th>
</tr>
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</table>

Upon every person engaging within this state in the business of making sales at wholesale, except persons taxable at wholesale under certain provisions of this chapter, and to each person the amount of tax with respect to such business shall be equal to the gross proceeds of sales of such business multiplied by the rate of 0.011 percent.

### See promoting the true dimension RCW 82.04.131

A wholesaling business that provides a service to a client that is not a service to a person and that are defined as retail sales is subject to the wholesaling tax. This tax shall be calculated based on the wholesale value of the transaction. The wholesaling business is responsible for obtaining a wholesale certificate from the client.

A wholesaling business that provides a temporary employment service to the client directly affects personal property while the wholesaling business (retailing an article of tangible personal property that is not different, or more useful), may also report under the wholesaling distinction. The wholesaler's wholesale certificate is necessary for the wholesaling business to document the nature of the activity.
<table>
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<tr>
<th>Law</th>
<th>Rules</th>
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<th>Worker Category</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td><strong>RCW 82.04.100: Extractor</strong></td>
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<tr>
<td>“Extract” means every person who from the person’s own land or from the land of another having a right to agriculture (by lease or contract, either directly or by contracting with others) engages in the extraction of natural resources, for sale or for commercial or industrial use, of natural gas, mineral, coal, lignite, oil, natural gas, sand, gravel, clay, asphalt, or other natural resource produced, or of fish, shell or other sea foods, from the ocean, Lake Washington, the Puget Sound, or any other area of water within the state. “Extract” does not include persons engaged in the extraction of coal or other natural resources for their own use.</td>
<td>WAC 480-20-138</td>
<td>(Extracting natural gas)</td>
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<td><strong>RCW 82.04.110: Manufacturer</strong></td>
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<tr>
<td>“Manufacturer” means every person who, either directly or by contracting with others for the necessary labor or mechanisms, manufactures for sale or for commercial or industrial use from his or her own materials or ingredients any article, article or materials, or by him or by his order, or by his direction, is manufactured. Whatsoever is of equipment or materials furnished, or used in the manufacture or in the manufacture of the materials that become a part of the whole of the manufactured article, the departure of which is guaranteed by the guarantee of the manufacturer, is a part of the article manufactured, subject to the conditions of the guarantee of the manufacturer, and shall be subject to the guarantee of the guarantee of the article manufactured.</td>
<td>WAC 480-20-136</td>
<td>(Manufacturing, guaranteeing the line, fabricating)</td>
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For the purposes of this section, “manufactured article” means an article constructed with the assistance of the manufacturer as a single line of related hardware or a hardware of the American National Standards Institute (ANSI).
RCW 82.04.120: “To manufacture”

(Effective July 1, 2020.)

“To manufacture” includes all activities of a manufacturer as industrial stature when Labor and Indus. is applied, by hand or machinery, in order to effect at a result thereof a new, different or useful substance or article of tangible (or other) property in produced for sale in commercial or industrial use, and shall include (1) the production or fabrication of perishable and domestic foods and domestic food activities; (2) the production or fabrication of dental appliances, devices, medications, sterilization, or other dental laboratory products by a dental laboratory or dental technician; (3) cutting, polishing, and manufacturing of filled out, cut, or taken froms; (4) weaving, finishing, bleaching of silk, wool, flax, hemp, cotton, or any;.

“To manufacture” shall not include: Conditioning of neat this use in plumbing, mining, logging, or other activities which consist of cutting, grinding, or any finishing contained which has been cleaned, sorted, or cleaned outside the state, the growing, harvesting, or processing of agricultural products, packing of agricultural products, including marketing, selling, cutting, grinding, cutting, and processing with inclusion, packaging, Libbing, or grading in controlled atmosphere storage, on the product line of computer equipment if the component material is delivered from the outside the state to the manufacturer by means other than tangible storage media; including the delivery by use of a tangible storage media when the tangible storage media is not physically transferred on the premises.

RCW 82.04.240: Tax on manufacturers

(Constitutional qualification state.)

Limited every person engaging within this state in business as a manufacturer, except a person taxable as manufacturer under other provisions of this chapter, to pay the amount of the tax on retail except to such tax and shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of 0.001 percent.

The measure of the tax is the value of the products, including byproducts, no manufactured organically or by the function to the fact that delivered may be made to points outside the state.
**RCW 82.08.300** Tax on manufacturers and processors of various foods and by-products — Research and development organizations — Nuclear fuel assemblies — Travel agents — Certain international activities — Shredding and associated activities — Low-level waste disposers — Insurance agents, brokers, and solicitors—Hospitals — Expiration of subsection.

<table>
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<tr>
<th>Law</th>
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<th>Worker Category</th>
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<tbody>
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<td>(Continued effective date):</td>
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<td></td>
<td>WAC 80.36.130</td>
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<tr>
<td>(a)</td>
<td></td>
<td></td>
<td></td>
<td>(manufacturing; processing for hire; safeguarding)</td>
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</table>

(1) Upon every person engaging within this state in the business of manufacturing:

(a) Wheat into flour, barley into patent flour, any kind into any kind of flour, corn into starch, starch into starch, starch into sugar, or starch into alcohol, or starch into alcohol; or kindness or plants the amount of tax with respect to each business shall be equal to the value of the flour, patent flour, or kindness or plants manufactured, multiplied by the rate of 0.158 percent.

(b) Sifted products which remain in a raw, raw flours, or raw materials state at the completion of the manufacturing by that person, as in kind, products the amount of tax with respect to each business shall be equal to the value of the products manufactured, multiplied by the rate of 0.158 percent.

(c) By canning, preserving, freezing, pickling, or dehydrating, fresh fruits and vegetables, or selling at wholesale fresh fruits and vegetables canned, preserved, frozen, pickled, or dehydrated by the seller and sold to purchasers who add part to the ordinary course of business the good out of state, as in each case the amount of tax with respect to each business shall be equal to the value of the products canned, preserved, frozen, pickled, or dehydrated multiplied by the rate of 0.158 percent. An order of sale to a person who transports to the ordinary course of business the good out of state, the seller shall annually provide a statement in addition to that prescribed by the department and within the statement at a hundred dollars:

(d) Dairy products that as of September 20, 2004, are identified in 21 C.F.R., chapter I, parts 130, 133, and 135, including byproducts from the manufacturing of the dairy products such as whey and whey, or selling the same to purchasers who transport in the ordinary course of business the good out of state, as in each case the tax imposed shall be equal to the value of the products manufactured multiplied by the rate of 0.158 percent. As proof of sale to a person who transports in the ordinary course of business the good out of state, the seller shall annually provide a statement in addition to that prescribed by the department and within the statement at a hundred dollars:
(a) Alcoholic fuel, biodiesel fuel, or bioblendstock fuel, as defined in RCW 82.25A.130, at wholesale, with respect to the business shall be equal to the value of alcoholic fuel, biodiesel fuel, or bioblendstock fuel manufactured, multiplied by the rate of 0.038 percent. This subsection (1)(a) expires July 1, 2030, and

(2) Alcoholic fuel or motor biofuels fuel, as those terms are defined in RCW 82.25A.130, at wholesale, with respect to the business shall be equal to the value of alcoholic fuel or motor biofuels fuel manufactured, multiplied by the rate of 0.038 percent.

(3) Upon entry of agreement or contract for compensation and payment agreement that includes structures to the extent in research and development, at such cooperation and collaboration, the amount of tax with respect to such activities shall be equal to the gross revenue derived from such activities, multiplied by the rate of 0.109 percent.

(4) Upon entry of agreement or contract for compensation and payment agreement that includes structures to the extent in research and development, at such cooperation and collaboration, the amount of tax with respect to such activities shall be equal to the gross revenue derived from such activities, multiplied by the rate of 0.038 percent.

(5) Upon entry of agreement or contract for compensation and payment agreement that includes structures to the extent in research and development, at such cooperation and collaboration, the amount of tax with respect to such activities shall be equal to the gross revenue derived from such activities, multiplied by the rate of 0.038 percent.

(6) Upon entry of agreement or contract for compensation and payment agreement that includes structures to the extent in research and development, at such cooperation and collaboration, the amount of tax with respect to such activities shall be equal to the gross revenue derived from such activities, multiplied by the rate of 0.038 percent.

(7) Upon entry of agreement or contract for compensation and payment agreement that includes structures to the extent in research and development, at such cooperation and collaboration, the amount of tax with respect to such activities shall be equal to the gross revenue derived from such activities, multiplied by the rate of 0.038 percent.

WAC 408-20-288
(Tax rates and tax credits)
<table>
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<tr>
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<td>(a) Upon every person engaging within this state in the business of transporting and associated activities pertaining to the movement of goods and materials in intrastate commerce or in interregional commerce, the amount of the tax with respect to such business shall be equal to the gross income of such business, multiplied by the rate of 0.23 percent. Provisional import transaction under this subsection shall be exempt from payment of taxes imposed by chapter 82.34 RCW for that portion of the business's import transactions under this subsection.</td>
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<td>Structural tax rate is 0.0275.</td>
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<td>(10) Upon every person engaging within this state in the business of disposing of low-level waste, as defined in RCW 82.145.010, the amount of the tax with respect to such business shall be equal to the gross income of such business, multiplied by the rate of 3.3 percent.</td>
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<td>(11) Upon every person engaging within this state as an insurance agent, insurance brokers, or insurance adjusters licensed under chapter 48.17 RCW, the amount of the tax with respect to such licensed activities shall be equal to the gross income of such business, multiplied by the rate of 0.20 percent.</td>
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<td>Law</td>
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<tr>
<td>RCW 82.04.200: Tax on printers, publishers, highway contractors, extracting or processing for hire, cold storage warehouse or storage warehouse operation, insurance general agents, radio and television broadcasting, government contractors — Cold storage warehouse defined — Storage warehouse defined — Periodical or magazine defined.</td>
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(Conditional expiration date)  
Upon every person engaging within the state in the business of:  
(1) Printing, and of publishing newspapers, periodicals, or magazines;  
(2) Building, repairing or improving any street, place, road, highway, easement, right of way, state public transportation terminal or parking facility, bridge, tunnel, overpass which is owned by a state or local government or political subdivision of the state or by the United States and which is used or to be used primarily for foot or vehicle traffic including motor transportation vehicles of any kind and including any readjustment, reconstruction or relocation of the facilities of any public, private or cooperatively owned utility or facility as a result of work being done including streets, sidewalks, streets and highways, roads and streets, public transportation terminals or parking facilities, bridges, tunnels, overpasses in being built, repaired or improved;  
(3) Constructing the hire or processing for hire, except personal taxable or permanent for hire under identical definition of this chapter;  

WAC 480-06-103  
(Publishers of newspapers, magazines, periodicals)  
WAC 480-06-171  
(Building, repairing or improving streets, sidewalks, roads, streets, rights of way, state public transportation terminals or parking facilities, bridges, tunnels, overpasses in being built, repaired or improved;  
WAC 480-06-130  
(Manufacturing, processing for hire, fabrication)  

Workers discharged to manufacture at a manufacturing site to alter or improve the product not be entitled to a new, different, or useful item in possession.  
Processing the hire rate .0043.  
Refer to RCW 82.04.010.  
Processing the hire activities do not include inspecting, stamping, marking, packing, loading or unloading, or operating machinery and equipment to perform these tasks. Refer to RCW 82.04.250.
(4) operating a cold storage warehouse in a storage warehouse, but not including the retail of cold storage facilities;

(5) transporting and performing services for the company or another company in or by a cold storage warehouse;

(ii) radio and television broadcasting, including network, national and regional advertising combined in a standard declaration based on the national average; (iii) an announcement by the Federal Communications Commission, or in lieu thereof, by individual station announcements, and excluding that portion of revenue represented by the paid-off rate, and combined advertising on radio stations; and (iv) the broadcast of musical programs and directly by wire, if any.

(7) engaging in activities which bring a profit within the definition of business contained in RCW 82.08.202(6); and in such cases, the amount of tax on such business shall be equal to the gross income of the business multiplied by the rate of 0.304, percent.

An used in this section, "cold storage warehouse" means a storage warehouse used to store fresh and frozen perishable fruits or vegetables, meat, dairy, dairy products, or fish, or any combination thereof, at a controlled temperature to maintain the quality of the prepacked perishable contents.

An used in this section, "storage warehouse" means a building or structure, or any part thereof, in which is stored, on a commercial basis, on a commercial basis, for sale, or storage in a warehouse or on-site storage, including field storage, fresh storage, fruit packing plants, warehouse branches under chapter 22.90 RCW, fresh produce storing, automobiles, retail food stores, clubs and warehouses, and "cold storage" or "storage" facilities, whereby customers have direct access to individual storage areas by individual warehouse. "Storage warehouse" does not include a building or structure, or that part of such building or structure, in which an activity taxable under RCW 82.08.202 is conducted.
RCW 82.04.300 Tax on international investment management services or other business or service activities

Charge in 2004 (see 12.20.430.3L)

(1) Upon every person engaging within this state in the business of providing international investment management services, an income tax, the minimum tax which is imposed on each business shall be equal to the gross income or gross proceeds of sales of the business multiplied by a rate of 0.25 percent.

(2) Upon every person engaging within this state in any business activity other than on or after June 1, 2005, the minimum tax imposed on each business shall be equal to the gross income of the business multiplied by the rate of 0.5 percent.

That includes activities, among others, and without limitation the compensation with which a person engaged in the performance of such business activities is rewarded by another person or other than on or after June 1, 2005, the person engaged in the business of providing any type of investment services and not included in this section or a "net of earned," or a "net of sales.

The nature of advertising, solicitation, and promotional expenses shall be included in the income of the business.

Service and other individual tax rate 1.5%
- Financial and banking specialties
- Human resources specialties
- Legal services
- Data processing services
- Computer programming
- Sales management
- Hospital administration
- Facility operations
- Video Income
- Internet services
- Shipping and receiving activities
- Internet services
- Graphic processing
- Video processing provided to a manufacturer at a manufacturing plant, initial, screen, print, final or another
- Computer and access control equipment to perform these tasks
- Furniture vendors
- Call center supervisors and agents
- Professional engineering specialties
- Computer programming, development, design, and modification
- Internet services
- Internet technology
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<tbody>
<tr>
<td>Article 2, Title 80: Tax on Internal and Investment Management Services or Other Business or Service Activities (continued)</td>
<td></td>
<td></td>
<td></td>
<td>- Marketing, advertising, demonstrations, booking, and booth attending</td>
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<td>- Museum</td>
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<td>- Admission and Leone school</td>
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<td>- Adult day care center</td>
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<td>- Entertainment and staging</td>
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</table>

**RCW 82.84.3805 Tax on providing day care**

Upon every person engaged within the state in the business of providing child care for periods of less than twenty-four hours, or to each person the amount of tax with respect to such business shall be equal to the gross proceeds derived from such service, multiplied by the rate of 0.45 percent. Further, such rate is limited to those who provide day care to children. Persons who generate adult day care laws subject to the RCW 82.84.3805, under the adult day care and other activities rate of 1.9%

**RCW 82.16.030: Public utility tax imposed — Additional tax imposed — Deposit of money**

1. There is levied and there shall be collected from every person a tax for the tax or privilege of engaging within this state in any one or more of the businesses herein mentioned. The tax shall be equal to the gross income of the business, multiplied by the rate set forth in this article, as follows:
   a. Gas and power businesses: Three and thirty-eight percent.
   b. Gas distribution business: Three and six-tenths percent.
   c. Water public utility: Three and thirty-eight percent.
   d. Water public utility: Three and sixty-five percent.

WAC 82.16.03179 (Public Utility Tax) + Tax, furnishings, and other equipment

Utah transportation public utility tax rate: 0.88%

Does not include license and automobile drivers. See RCW 82.08.200.
(a) Urban transportation businesses: Six-tenths of one percent; 

(b) Venues under thirty-five feet in length, except tugboats, operating 
upon the waters within the state: Six-tenths of one percent. 

(c) Water transportation, railroads, railroading, and Stagecoach businesses, 
and all public-service businesses other than those mentioned above: One 
day eight-tenths of one percent. 

(d) Water distribution businesses: Five and seven-tenths percent. 

(2) As a minimum tax, in amount equal to the rate specified in RCW 
82.02.005 multiplied by the tax payable under subsection (1) of this 
section. 

(3) Thirty percent of the amount collected under subsection (1) of this 
section on water distribution businesses shall be deposited in the public welfare assistance account 
described in RCW 43.68.060. 

RCW 82.02.010 Definitions

For the purposes of this chapter, unless otherwise required by the 
definitions:

(1) "Railroad business" means the business of operating any railroad, 
by whatever name operated, for public use on the common carrier of property for hire. It shall not, 
however, include any business herein defined as an urban transportation business. 

(2) "Express business" means the business of carrying property the 
goodship line on the line of any automobile carrier operated in this state, when such 
carrier engages in a business of express business. 

(3) "Railroad car business" means the business of operating railroad cars, 
whether cars, refrigeration cars, fruit cars, passenger cars, tank cars, sleeping 
cars, passenger cars, baggage cars, motor cars, or any other kind of cars used 
for transportation of property or persons upon the line of any railroad 
operated in this state, which is authorized to and engaged in such business. 

(4) "Water distribution business" means the business of operating a 
plant for the distribution of water for hire or sale.
Local Office Locations

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1-800-647-7706

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