

Use Tax Workshop

What is use tax?

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

When is use tax due?

Use tax is due if:

- Goods are purchased in another state that does not have a sales tax or a state with a sales tax lower than Washington's.
- Goods are purchased from someone who is not authorized to collect sales tax.
- Goods are purchased out of state by subscription, through the Internet, or from a mail order catalog company.
- Personal property is acquired with the purchase of real property.

Below are some samples of taxable services you might not have known were taxable:

- Computer service contracts
- Digital products and services
 - Downloaded music and movies
 - Streamed and accessed digital goods
 - Digital automated services
- Maintenance contracts for services

Here are a few oddball situations:

- A piece of equipment is sent out-of-state for repair and a new part is installed. The new part is taxable while the service is not.
- Newspaper subscriptions are generally not taxable unless the publication is only offered in digital format. If the publication is offered in both paper and digital, no tax is required.

If sales tax is not listed on an invoice, the Department of Revenue instructs you to do the following:

Invoices from in-state vendors:

- Contact the vendor and ask why.
- Ask the vendor to issue a new invoice that *itemizes* the amount of sales tax due.
- **Do not add the sales tax onto the bill yourself**
- An invoice should never have a single figure that “includes sales tax.” If you receive such an invoice, contact the vendor and ask for a new invoice with the sales tax separately stated.
- If you cannot contact the vendor or they will not issue a new invoice, contact Cindy Dickson in the Business Office.

Invoices from out-of-state vendors:

- If you know the out-of-state vendor has an in-state business presence, contact the vendor and ask why sales tax wasn't charged. Depending on the response, you may want to ask them to send a new invoice that includes sales tax.
- If the business has no business presence in Washington, they are not required to charge sales tax to their Washington customers