

# Use Tax

MARCH 2009

Many residents don't realize there are Washington State tax obligations for goods and certain services purchased or acquired without paying sales tax. For instance, even though you don't pay sales tax when you shop in Oregon, your purchases are subject to use tax when you bring those items into Washington.

Use tax also applies on items or certain services used in Washington that were purchased in other states that have a sales tax rate lower than Washington's. Unpaid use tax costs our state and local governments millions of dollars in revenue each year.

## WHAT IS USE TAX?

Use tax is a tax on the use of goods or certain services in Washington when Washington's sales tax has not been paid.

When you make a retail purchase in this state, you usually pay sales tax to the seller, who in turn pays it to the Department of Revenue. There are instances when Washington's sales tax is not paid on purchases. In many of these situations, use tax is due.

Goods or certain services used in this state are subject to either sales or use tax unless specifically exempted. Use tax is a complementary tax to sales tax. Either sales tax or use tax applies, not both. The tax applies regardless of where, or from whom, the property is purchased.

## Use tax is due on:

- Goods purchased in a state with no sales tax or a state with a sales tax rate lower than Washington's.
- Goods purchased from someone who is not authorized to collect sales tax.  
**Example:** purchased furniture from an individual through a newspaper ad or art via an online auction or private collector.
- Goods purchased from out-of-state sellers through the Internet (this includes software and other items that are downloaded) or from a mail order catalog company. Many of these companies collect Washington's sales or use tax. However, if the company does not collect either tax, you owe use tax.
- Personal property is acquired with the purchase of real property.  
**Example:** furnishings or equipment purchased with a building.
- Charges (parts and labor) for repairs performed outside the state on goods that are then shipped back into Washington.
- Property distributed within the state primarily for promotional purposes.  
**Example:** catalogs.

### Use tax is not due:

- When the goods purchased are for resale within the normal course of business without intervening use.
- When the goods purchased are used as an ingredient or component part of a new article of tangible personal property produced for sale.
- On feed, seed, seedlings, fertilizer, spray materials, or agents for enhanced pollination, including insects such as cutter bees, for use by a farmer in producing agricultural products for sale.
- On machinery and equipment, including cogeneration and pollution control machinery and equipment, used directly in a manufacturing operation.
- On prescription drugs, including prescribed over-the-counter drugs and dietary supplements.
- On certain medical items.  
(See WAC 458-20-18801)
- On food and food ingredients.  
(not including prepared food)  
(See WAC 458-20-244)
- On replacement parts for qualifying farm machinery and equipment.  
(Farmers must apply for this exemption.)
- On vessels of greater than 30 feet, purchased or owned by a nonresident, when the nonresident purchases and displays a vessel use permit.
- On items to be donated to a nonprofit organization without intervening use.

### WHAT IS THE TAXABLE AMOUNT?

Use tax is figured on the value of the goods when first used in Washington. Generally, this is the purchase price. Use tax also applies to any freight, delivery, or shipping charges paid to the seller. A depreciated value may be appropriate if the goods are used outside the state for a lengthy period of time before they are brought into this state.

### WHEN DO I PAY USE TAX?

Use tax is due when the goods are first used in Washington.

**Example:** You purchase and use new skis while on vacation in Oregon. When you return to Washington, use tax is due (by the 15th of the next month) on the value of the skis.

### WHAT TAX RATE DO I USE?

Use tax rates are the same as sales tax rates and can be found in the Local Sales and Use Tax Changes (LSU) flyer, available on our web site at [dor.wa.gov](http://dor.wa.gov) or by calling our Telephone Information Center at 1-800-647-7706. You can also use the Tax Rate Lookup Tool to find tax rates by address or by using the map. Go to our web site at [dor.wa.gov](http://dor.wa.gov) click on "Find taxes and rates" then "Sales and use tax rates" then "Look up a tax rate."

The use tax rate, unlike the sales tax rate, is calculated on where you first use the article in Washington, not where the sale takes place. The state portion of the tax is 6.5 percent. Local governments impose their own additional use tax. Depending on the rate of local tax, the combined use tax rate ranges from 7 percent to 9 percent.

**Example:** You live in Goldendale, Washington, and purchase a computer in Portland, Oregon. The rate of use tax due on the purchase price of the computer is 7.5 percent. However, if you live in Seattle, the rate of use tax is 9 percent because of the higher local rate.

### HOW DO I REPORT AND PAY USE TAX?

If you are registered with the Department as a business, report the use tax under the use tax sections of your excise tax return. If you are not registered to do business, you can file and pay via our easy online process. Visit our web site at [dor.wa.gov](http://dor.wa.gov), go to My Account click on "Register Now" and enter the required information. You can also file the paper Consumer Use Tax Return available via the "Get a Form or Publication" tab on the web site, or by calling 1-800-647-7706.

## WHAT ABOUT CREDITS, TRADE-INS AND EXEMPTIONS?

### CREDITS

When you bring goods into Washington that you purchased elsewhere, you are eligible for a credit against the use tax for the amount of sales or use tax you paid to another state on those goods. You must have proof, such as an invoice or bill of sale, with the amount of tax paid in the other state.

### TRADE-INS

If you trade in a like-kind item to reduce the amount you pay for tangible personal property, use tax is due only on the amount owed after the value of the trade-in is subtracted.

**Example:** You purchase a car in another state for \$20,000. The dealer accepts your old car as a trade-in valued at \$5,000, leaving a balance due of \$15,000. You owe Washington use tax on \$15,000 at the tax rate in effect where you keep the car (normally your residence).

### EXEMPTIONS

People who move to Washington are exempt from the use tax on their household goods, personal effects, and motor vehicles, if they acquired the property more than 90 days prior to moving to Washington. However, boats, motor homes, trailers, and other recreational vehicles do not qualify as household goods. These items are subject to use tax, even if acquired more than 90 days prior to moving to Washington. A credit in the amount of sales/use tax that was previously paid on the non-exempt item can be used to offset the amount of Washington use tax owed. You must have proof, such as an invoice or bill of sale, with the amount of tax paid in the other state.

For other exemptions, see Washington Administrative Code (WAC) 458-20-178 or Revised Code of Washington (RCW) 82.12.

## IS USE TAX DUE ON LEASED GOODS?

Goods leased from a business located outside of Washington and used in Washington are subject to sales or use tax. Generally out-of-state businesses that lease goods to Washington residents are registered in Washington and will collect sales tax on lease payments. However, if the lessor does not charge sales tax, you need to pay use tax directly to the Department of Revenue on the amount of the lease payment. The tax rate is based on the main location of the goods, such as your residence or office.

## IS USE TAX DUE ON GIFTS OR PRIZES?

When you receive a gift or win a prize, the use tax is due on the value of that gift or prize unless the donor has paid the sales or use tax.

**Example:** You win a car in a raffle. Unless the donor pays sales tax on the car, you must pay use tax when you license the vehicle at the Department of Licensing.

A family member or friend gives you a vehicle. You owe use tax on the value of the vehicle if the person who gave it to you, did not pay the sales or use tax when they acquired it.

Generally, nonprofit charitable organizations, local governments, and the state are not subject to use tax on items donated to them, even if the donor has not paid sales or use tax on the item. The donor is also exempt from the use tax as long as there was no intervening use of the item prior to the donation.

## PROPERTY ACQUIRED IN A TRADE OR BUSINESS?

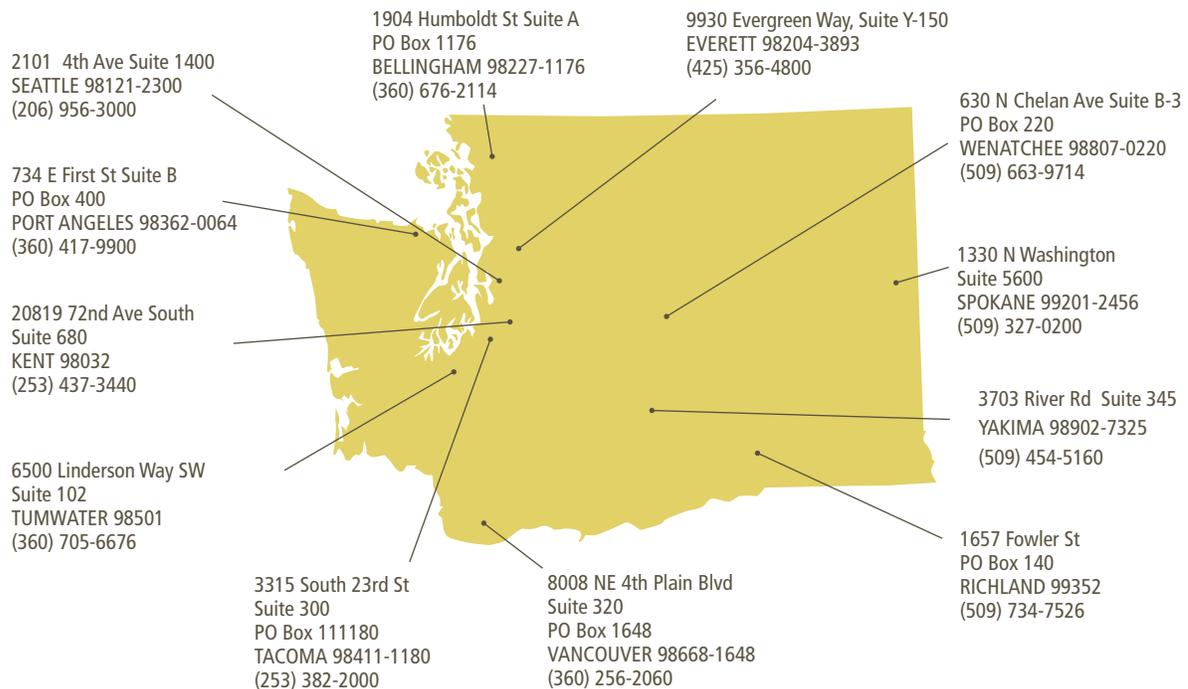
Use tax is due when goods are purchased for consumption or use by a business and sales tax has not been paid.

### Example:

- Supplies, fixtures, and equipment purchased from an out-of-state vendor.
- Supplies, fixtures, and equipment acquired when an existing business is purchased.
- Promotional items, such as hats, T-shirts, matches, calendars, and other items given to customers or other individuals.
- Magazine subscriptions, includes magazines and other publications that can be downloaded over the Internet.
- Articles manufactured by the business for its own use.
- Materials installed when performing federal government, city/county housing authority, or public road construction contracts.
- Equipment loaned to a contractor on which sales tax was not previously paid.
- Articles withdrawn from inventory and used by the business.
- Software purchased over the Internet.

## DEPARTMENT OF REVENUE TAXPAYER ASSISTANCE

### Local office locations



**TELEPHONE INFORMATION CENTER**  
1-800-647-7706

**WEB SITE**  
[dor.wa.gov](http://dor.wa.gov)

**MAILING ADDRESS**  
Taxpayer Information and Education  
Washington State Department of Revenue  
PO Box 47478  
Olympia, WA 98504-7478  
Fax (360) 705-6655

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

The information contained in this fact sheet is current as of the date of this publication and provides general information about use tax. It does not cover every aspect of the tax, nor does it alter or supersede any administrative regulations or rulings issued by the Department of Revenue.