

Administrative Policy No: 19.85.02

Subject: Use Tax

Contact: Office of Accounting Services
Chief, (360) 664-5716

Authorizing Source: RCW [82.08.010](#), Definitions
RCW [82.08.130](#), Resale Certificate – Purchase and Resale - Rules
RCW [82.12](#), Use Tax
RCW [82.14.070](#), Uniformity, Rule Making, Model Ordinance.
WAC [458-20-145](#), Local Sales and Use Tax
WAC [458-20-178](#), Use Tax
WAC [458-20-189](#), Sales to and by the state of Washington,
counties, cities, towns, school districts, and fire districts.

Effective Date: July 1, 2007

Revised: July 17, 2018 ^{iHousekeeping 7/10/19}

Approved By: **Original signed by Judy Fitzgerald**
Chief Financial Officer / Assistant Secretary
Facilities, Finance and Analytics Administration

Purpose

This policy establishes the identification, management, and payment of use tax.

Scope

This policy applies to all Department of Social and Health Services' (DSHS) Programs regarding in state and out-of-state purchases. This policy does not apply to leasehold excise tax.

Additional Guidance

DSHS Administrative Policy [13.18](#), Purchase Cards – Obtaining and Securing
DSHS Administrative Policy [13.19](#), Purchase Cards – Purchases, Payments, and Disputes
Department of Revenue (DOR) [Use Tax](#) information
DOR [Local Sales and Use Tax Rates](#)
[Standard Use Tax Procedures](#)
[Common Cost Use Tax Template Workbook](#)

Definitions

A-19 Invoice Voucher is a form used by agencies to substantiate and authorize payment when a Purchase Order is not involved. This form is used to produce warrants using the Agency Financial Reporting System (AFRS).

DSHS Fiscal Office is any unit that processes payments.

Purchase Card is a type of credit card(s) issued to make authorized purchases on behalf of the agency for items other than gasoline, vehicle rental, and travel.

Purchase Order is a form generated by the TRACKS electronic purchasing module for the purchase of goods or services. A purchase order is a legally binding contract once the vendor has delivered the goods or services.

Sales Tax is Washington's principal tax source due at the time of sale. Businesses making retail sales in Washington collect the tax from their customers. Sales tax is computed on the selling price, (using the applicable tax rate) which is defined as all consideration to a seller from a buyer (including gratuities, shipping, handling, and labor).

Use Tax is a tax on the use of goods or certain services in Washington when sales tax has not been paid or was paid at a lower rate than Washington's rate (the difference becomes a use tax).

Policy

A. DSHS must follow the Department of Revenue's (DOR) regulations regarding the identification, calculation, and payment of sales and use tax.

To ensure compliance with DOR regulations, DSHS must use the information provided at the DOR [Use Tax](#) information and DOR [Local Sales and Use Tax Rates](#) websites. Please note; the destination of the goods must be used when determining the rate.

B. Sales and use tax is due on retail sales and services.

The items listed below are examples of items on which sales or use tax is payable:

1. Furniture, equipment, and supplies
2. Packaged software
3. Equipment installation
4. Preventative maintenance
5. Extended warranties
6. Equipment calibration and repairs
7. Landscaping
8. Parking lot sweeping
9. Snow removal service
10. Freight, delivery, or shipping charges paid to the seller on an item that is taxable

C. Use tax is due on certain purchases.

The situations below illustrate when use tax is payable:

1. Goods purchased in a state where no sales tax was paid, including purchases made through the internet or mail order.
2. Sales tax was paid for an out-of-state purchase, but the sales tax was lower than the Washington use tax rate (i.e., the amount owed is the difference between the Washington use tax due and the sales tax paid in the other state).
3. Goods leased from a company outside Washington that are used in Washington.
4. Charges for repair of goods (e.g., parts and labor) performed outside this state, and the repaired goods are shipped back into Washington.

D. Use tax is not due on goods purchased for resale without intervening use.

If a buyer, engaged in both consuming and reselling certain types of tangible property, is not able to determine at the time of purchase, whether the particular property will be consumed or resold; the buyer may use a resale certificate for the entire purchase if the buyer principally resells the articles according to the general nature of the buyer's business.

E. DSHS Fiscal Offices are responsible for reporting when sales tax is not paid or underpaid to the Facilities, Finance and Analytics Administration (FFAA).

F. The FFAA is the designated office for calculating and paying use tax for the Programs.

1. All use tax items payable to DOR must be coded to General Ledger 5158 – Due to DOR Use Tax.
2. Fiscal Services Office (FSO) is responsible for filing and making associated payment for use tax out of treasury funds.
3. Institutions are responsible for filing and making associated payment for use tax out of local funds.

Procedures

A. Payments made by Purchase Order, Invoice Voucher (A-19), or Purchase Card

1. DSHS fiscal offices that are not located at an institution:
 - a. Verify the amount of sales tax paid for affected purchases. If use tax is owed, provide the following information for each affected purchase in an electronic workbook.
 - Vendor Name
 - Vendor Trailer
 - Invoice Number

- Taxable Amount
 - MI
 - Fund
 - Appropriation Index
 - Program Index
 - Sub-Object
 - Sub-Sub Object
 - Org Index
 - Alloc
 - MOS
 - Proj
 - Sub-Proj
 - Proj Ph
 - City Code
 - Shipping City
- b. Scan/email copies of the payment document and supporting invoices/receipts for the affected purchases to yourself.
 - c. Embed copies of the payment document and supporting invoices/receipts for the affected purchases into the electronic workbook.
 - d. Send the electronic workbook to the FSO Common Cost Desk via email CommonCost@dshs.wa.gov, at a minimum weekly. Any alternate method must be able to pull the same information.

Note: OAS recommends utilizing “[Standard Use Tax Procedures](#)” to determine when use tax is owed. Any alternate method that is used to determine when use tax is owed must be able to pull the same information. The electronic workbook that OAS recommends for submittal to FSO is the “[Common Cost Use Tax Template Workbook](#).”

2. FSO, based on the information received from the Programs and the institutions will;
 - a. Calculate the amount of use tax payable using current DOR sales and use tax rates.
 - b. Use identical account coding for both the original purchase and payment of use tax except for charges to ePMX.

Note: If account coding “C0000” is used for ePMX, the account coding must be changed in order for the use tax to be processed.

- c. Complete the DOR monthly tax form and file it electronically by the 25th of the month following the receipt of the goods or services. Payments to DOR are made at the same time the monthly tax form is filed with DOR.
- d. FSO and the institutions will handle the use tax accruals at fiscal year close for all received invoices.

¹ Updated link for standard use tax procedures

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