

Special Notice

*Intended audience: Heavy equipment rental property dealers
and heavy equipment rental property consumers.*

Revised May 3, 2023

Heavy equipment rental tax

On Jan. 1, 2022, a new tax was imposed on the in-state retail rental of heavy equipment rental property. Washington heavy equipment rental dealers are required to charge their customers the heavy equipment rental tax of 1.25% on the rental price of each in-state rental of heavy equipment rental property.

Businesses who are *not* defined by the Legislature as heavy equipment rental property dealers do not collect the heavy equipment rental tax, and their consumers are not required to pay the tax. *See definitions below.*

Must the heavy equipment rental tax be included on the invoice?

Yes. The heavy equipment rental property dealer is responsible for adding the heavy equipment rental tax to the customer's rental invoice/receipt. This tax should be separately stated on the invoice, similar to the retail sales tax. Like retail sales, heavy equipment rentals are sourced to the location where the customer picks up the heavy equipment rental property. If the heavy equipment rental property is delivered to the customer, the sale is sourced to the location of delivery for purposes of the heavy equipment rental tax.

When does the heavy equipment rental tax apply?

The heavy equipment rental tax applies to all heavy equipment rental property rentals made from a rental location in-state and is in addition to the state and local retail sales tax.

How will the heavy equipment rental dealer submit the heavy equipment rental tax to the department?

The heavy equipment rental tax should be reported and paid to the department on the excise tax return. This tax should be reported under the Heavy Equipment Rental tax classification on the Other Taxes section of the return.

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Is the heavy equipment rental tax treated in the same manner as sales tax?

Yes. This rental tax is to be held in trust by the heavy equipment rental dealer until paid to the department.

If the heavy equipment rental property dealer collects the tax, but uses it for their own use, or to any use other than the payment of the tax, then the dealer is guilty of a gross misdemeanor.

How is the heavy equipment rental tax invoiced to the customer?

The heavy equipment rental tax applies to the “pre-sales tax” rental price on the invoice. Accordingly, the retail sales tax does not apply to the heavy equipment rental tax. Both taxes should be separately stated on the invoice.

Are there exceptions where heavy equipment rental tax should not be charged?

Yes. The following are situations where heavy equipment rental tax should not be charged:

- Rentals of heavy equipment rental property to the U.S. Government, the state of Washington and its political subdivisions, and municipal corporations.
- Rentals of heavy equipment rental property delivered to the consumer outside of Washington state.
- Rentals of heavy equipment rental property to enrolled Indian tribal members with delivery on their reservation.
- The heavy equipment rental property dealer is located outside of Washington, regardless of whether they rent heavy equipment rental property to consumers inside of Washington.
- Wholesale sales. **Note:** The heavy equipment rental dealer must receive a copy of a valid reseller permit from their customer to substantiate this type of sale.

Examples of heavy equipment rental property include, but are not limited to, the following:

- Earthmoving equipment, including but not limited to backhoes, loaders, rollers, excavators, bulldozers, and dump trucks.
- Self-propelled vehicles not designed to be driven on the highway.
- Industrial electrical generation equipment.
- Industrial lift equipment.
- Industrial material handling equipment.
- Equipment used in shoring, shielding, and ground trenching.

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- Portable power and HVAC generation equipment.
- Attachments to heavy equipment rental property, including but not limited to buckets, augers, hammers for backhoes, hoses, fittings, piping, chains, tools (such as jack hammers and cement chippers), and portable power connections.
- Ancillary equipment, including but not limited to generators, ground thawing equipment, fluid transfer equipment, pumping equipment, portable storage, portable fuel and water tanks, and light towers.
- Equipment or vehicles not subject to Washington vehicle license fees and not required to be registered with the Washington State Department of Licensing.
- Heavy equipment rental property does not include small hand tools, chainsaws, or lawnmowers.

Definitions

- “Heavy equipment rental dealer” means a person “principally” engaged in the business of renting heavy equipment rental property. “Principally” means that the dealer receives more than 50% of the dealer’s annual total revenue from the rental of heavy equipment rental property. See [RCW 84.36.597](#).
- “Consumer” has the same meaning as given in [RCW 82.04.190](#).
- “Rental price” has the same meaning as “sales price” as defined in [RCW 82.08.010](#).

Questions?

- [Substitute Senate Bill 5628](#) is codified under [RCW Chapter 82.51](#).
- See our [Special Notice for Property tax exemption for heavy equipment rental property](#).
- For information about excise taxes, please visit dor.wa.gov or call 360-705-6705.