



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

November 18, 2014

Tax Reporting for Consignment Sales

If you sell goods on behalf of others through a consignment arrangement, you need to know what your tax collection obligations are and how to correctly report consignment sales to the Department of Revenue. A consignment arrangement occurs when the owner of the goods contracts with another party to sell items on their behalf.

Businesses making retail consignment sales must collect sales tax. Generally, consignment sellers are to remit the sales tax directly to the Department on behalf of the owner of the consigned goods. Only if the owner of the goods is registered with the Department can the consignment seller remit the sales tax to the owner for reporting to the Department.

Seller's tax reporting

How you should report depends on whether the buyer knows who actually owns the goods.

Selling as an agent for the owner of the goods:

If you advertise that you are selling on behalf of a specific person or party and the buyer is aware of that person or party, then you should report as follows:

- Report consignment sales under the *Retailing* B&O tax classification. A deduction may then be taken when calculating the *retailing* B&O tax in the amount of the sales. The deduction must be identified on the deduction detail as "*Consignment Sales.*" To be eligible for this deduction the Consignment Seller must segregate the consignment sales income and maintain records in accordance with [WAC 458-20-159](#).
- Report consignment sales under the *Retail Sales* tax classification. Generally, the Consignment Seller is responsible for remitting the sales tax to the Department. (However, if the owner of the goods is registered with the Department of Revenue and files excise tax returns, the seller can remit the sales tax to their customer to report to the Department with their excise tax return. In this case, the seller can take a deduction under "*Other*" then write in the explanation as "*Sales tax remitted to owner.*")
- Report commissions earned from consignment sales under the *Service and Other Activities* B&O tax classification.

Selling in your own name:

However, if the buyer is not aware of the person or party that actually owns the items, then you are merely making retail sales and you should report as follows:

- Report consignment sales under the *Retailing* B&O tax classification.
- Report consignment sales under the *Retail Sales* tax classification.
- You do not have to report commissions on such sales.

Owner's Tax Reporting

If the owner of the consigned goods is engaged in a business activity, then they are also subject to the B&O tax on income they receive from the sales of their goods and may be required to remit the sales tax. We assume a person is engaged in business, if they put themselves out to the public as being a business or make sales on more than a periodic basis.

When the consigned goods are sold in the name of the owner:

If the seller keeps their books as an agent and advertises to prospective buyers the name of the owner of the goods they are selling on behalf of, then the owner of the goods should report as follows:

- Report consignment sales under *Retailing* B&O tax classification.
- Report consignment sales under the *Retail Sales* tax classification. If the consignee remits the sales tax to the Department, the owner may take a deduction from retail sales tax. On the deduction detail section of the tax return, identify the deduction as "*Sales tax reported by agent.*" (WAC 458-20-159) Otherwise, remit sales tax (both state and local sales taxes).

When the goods are sold in the name of the consignment seller:

The owner of the goods is making wholesale sales to the consignment seller and should report as follows:

- Report consignment sales under Wholesaling B&O tax classification.
- To document wholesale nature of the transaction, owner will need a copy of the seller's reseller permit or other approved exemption certificate. ([WAC 458-20-102](#))