



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

SEPTEMBER 2017

## Martial arts - Retail sales tax changes

### What's new?

Effective October 19, 2017, many martial arts facilities will no longer need to collect sales tax on charges for participating in the following:

- martial arts classes
- training
- events such as tests, camps, competitions, and seminars.

***This applies as long as your business conducts these events at any of the following places:***

- Facilities that are not operated within and as part of an athletic or fitness facility (AFF). This includes facilities that people use primarily for providing martial arts classes, training, or events such as
  - boxing gyms
  - karate dojos
  - taekwondo dojangs
- community centers
- parks
- school gymnasiums
- colleges or universities
- hospitals or other medical facilities
- private residences

Income received by businesses for martial arts classes, training, or events, conducted at any of these facilities will be subject to business and occupation (B&O) tax under the Service and Other Activities classification.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 1-800-647-7706 | [DOR.WA.GOV](http://DOR.WA.GOV)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## Which martial arts classes continue to be subject to sales tax?

You need to collect sales tax on income from participating in martial arts classes, training, or events that take place at an “athletic or fitness facility” (AFF). This income is subject to B&O tax under the Retailing classification.

## What about other sales?

You need to collect sales tax on merchandise sales and martial arts equipment sales. This income is subject to B&O tax under the Retailing classification.

## What is an ‘athletic or fitness facility’?

Beginning October 19, 2017, the law defines an AFF as:

[A]n indoor or outdoor facility or portion of a facility that is primarily used for: Exercise classes; strength and conditioning programs; personal training services; tennis, racquetball, handball, squash, or pickleball; or other activities requiring the use of exercise or strength training equipment, such as treadmills, elliptical machines, stair climbers, stationary cycles, rowing machines, pilates equipment, balls, climbing ropes, jump ropes, and weightlifting equipment.

## What does ‘martial arts’ mean?

Martial arts means any of the various systems of training for physical combat or self-defense. Martial arts includes, but is not limited to:

- karate
- krav mage
- jujitsu
- aikido
- kendo
- kung fu
- boxing
- shootfighting
- judo
- tai chi
- taekwondo
- kickboxing
- wrestling
- hapkido
- mixed martial arts

## When do I stop collecting sales tax?

### *One-time events*

You need to collect sales tax on one-time event charges if the event occurs before October 19, 2017. You do not need to collect sales tax charges for one-time events that occur on or after October 19, 2017.

### *Monthly billings*

If you bill customers on a month-to-month basis (where payment is typically due in advance), then you do not need to collect sales tax on monthly bills for months beginning after October 19, 2017 (November 2017 and so on).

Example:

A student pays you \$100 per month for martial arts training. Their payment is due by the first of the month.

Your martial arts business must collect sales tax on the amount due for the month of October. Then, report the B&O tax on this amount under the Retailing classification.

Your martial arts business does not collect sales tax on the amount due for November. Report the B&O tax on this amount under the Service and Other Activities classification.

### *Prepayments*

Some of your customers may have prepaid for martial arts classes, training, or events covering periods on or after October 19, 2017. You may now refund sales tax to the customer for prepayments covering periods beginning on and after October 19, 2017.

Example:

A student usually pays a monthly fee of \$100 for martial arts lessons. On July 1, 2017, a student prepaid for 12 months of lessons at a total price of \$1,200, plus sales tax. You may now refund the student the sales tax for the months beginning on and after October 19, 2017. In this case, you may refund sales tax for payments you received for November 2017 – June 2018.

## **Questions**

Please contact us if you have a question about whether your business is conducted at an AFF, or you have another martial arts related issues at:

- 1-800-647-7706
- <http://dor.wa.gov/rulings>