



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

OCTOBER 27, 2011

## Certain Taxpayers to Pay Use Tax Directly to the Department of Revenue

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RCW 82.32.087 authorizes the Department of Revenue to allow certain businesses (purchasers) to pay use tax directly to the Department rather than pay sales tax to their vendors.

### What is the direct pay program?

Direct pay is a program that allows **approved** businesses to buy goods without payment of sales tax to the seller at the time of purchase. Instead, businesses pay the applicable sales and use taxes due directly to the Department of Revenue. Businesses must apply to the Department for a direct pay permit.

### Who is eligible for the program?

A business may apply for a direct pay permit if the business:

- Is reasonably expected to have a cumulative tax liability of two hundred forty thousand dollars or more in the current calendar year, or Makes over \$10,000,000 of taxable purchases in one calendar year.

“Tax liability” means the amount required to be remitted to the Department for taxes administered under this chapter, except for the taxes imposed or authorized by chapters 82.14A, 82.14B, 82.24, 82.27, 82.29A, and 84.33 RCW.

### How do I apply for a direct pay permit?

Businesses that are interested in applying for a direct pay permit should send a letter of interest to the Department that includes the following information:

- Business name and UBI/TRA number;
- Primary business activity;
- Affirmation that the business meets the eligibility requirements listed above;
- Affirmation that the business is familiar with the use tax accrual process and is able to comply with use tax record keeping requirements; and
- Contact person in the business and phone number.

The letter of interest should be sent to the following address:

Department of Revenue  
Audit Division  
ATTN: Patrick Gillespie  
PO Box 47474  
Olympia, WA 98504-7474

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

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

### **How will the Department review my application?**

The Department will review the letter of interest and may contact the business for an interview. During the interview, the Department will review and discuss the following:

- Verification of eligibility requirements;
- Tax reporting history of the business;
- Record keeping system and use tax accrual system; and
- Use of permit for all eligible purchases.

### **When will I get my permit?**

After reviewing the application, the Department will send the business a letter granting or denying a direct pay permit. The letter of approval will include a direct pay permit that the business may copy and use with their vendors. A business may petition the Department for reconsideration of a denial.

### **How do I use the direct pay permit?**

Businesses should copy the direct pay permit and provide a signed copy to each vendor. Vendors may keep the permit on file rather than requiring a new copy for each purchase.

### **What purchases can I make with the direct pay permit?**

Certain articles of tangible personal property are exempt from sales tax based on the type of article or the manner of use. The direct pay permit should be used to purchase items where the business is not certain at the time of purchase whether the item is taxable or exempt. Businesses should use the direct pay permit for all eligible purchases. A direct pay permit is not transferable and the use of a permit may not be assigned to a third party.

### **The permit may not be used for the following:**

- Purchases for which a resale certificate (through 12/31/2009) or a reseller permit (effective 01/01/2010) may be used;
- Purchases of meals or beverages, and purchases of lodging and related services;
- Purchases of motor vehicles, trailers, boats, airplanes, and other property subject to requirements for title transactions by the Department of Licensing;
- Purchases of automobile towing services, and automobile parking and storage services;
- Purchases of amusement and recreation services;
- Purchases of abstract, title insurance, escrow services, and credit bureau services;
- Service charges associated with tickets to professional sporting events;
- Purchases of physical fitness services, tanning salon services, tattoo parlor services, steam bath services, Turkish bath services, escort services, and dating services; or
- Purchases of telephone services.

### **How and when do I accrue and pay tax on my direct pay purchases?**

In the case of taxable tangible personal property, businesses will accrue and pay use tax based on the location of the business. In the case of taxable services, businesses will pay sales tax based on the location the service was performed.

Sales or use tax is due and payable on the *Combined Excise Tax Return* and **reported on the use tax line** for the reporting period in which the taxpayer receives the tangible personal property purchased or in which the labor and/or services are performed.