

**Washington State Department of Revenue**

Thank you. Your responses have been submitted and your confirmation number is **0-018-047-204**.

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STATE OF WASHINGTON  
DEPARTMENT OF REVENUE

Filed



SCANNED

BAILEY AND SON CONSTRUCTION  
PO BOX 795  
SOAP LAKE WA 98851-0795

January 7, 2021  
Letter ID: L0015385675  
Account ID: 604-224-198  
Account Type: Excise Tax

## Check your records for unpaid use tax. Respond by February 25, 2021

Dear taxpayer:

Most construction businesses with locations in Washington owe some use tax. Please review your purchases since January 1, 2017 for possible unpaid use tax.

### What you need to do

After reading this message, go to our online Use Tax Response website ([dor.wa.gov/taxresponse](http://dor.wa.gov/taxresponse)), then:

1. Enter the 10-digit letter ID located in the upper right area of this letter.
2. Indicate whether or not you owe use tax

**By taking the above steps, your account will be cleared whether you owe use tax or not.**

### If you owe use tax, take the following steps

1. Take one of the following actions:
  - Review goods and services acquired since January 1, 2017 and identify those that were untaxed (See "Tips for finding unpaid use tax" below), **or**
  - Use the chart below to estimate your use tax liability. To use the chart, multiply the Annual Average Value by the number of years to determine the amount you must report for both state and local use tax on your excise tax return.

Annual gross business income	Annual average value of items subject to use tax
Less than \$500,000	\$7,600.00
\$500,000 - \$4,999,999	\$26,000.00
\$5,000,000 - \$40,000,000	\$240,700.00
More than \$40,000,000	\$1,327,300.00

2. Report and pay the use tax due on your next excise tax return to avoid penalties and interest.

### What is use tax?

Use tax is a tax on goods and retail services you use as a consumer that were acquired without paying sales tax. Either sales tax or use tax applies to goods and retail services consumed in Washington.

### Tips for finding unpaid use tax

When you check your purchases for unpaid use tax, look for purchases made:

Taxpayer Services  
PO Box 47478 Olympia, WA 98504-7478  
[dor.wa.gov](http://dor.wa.gov) Phone (360) 705-6705 Fax (360) 705-6655

- Directly from out-of-state sellers.
- Through the internet, telemarketing, mail order or other means.
- For retail services, such as office remodeling or equipment repair (including materials and labor).
- Purchases for dual purpose (e.g., partly speculative or public road construction and retail construction) that were made with a reseller permit.

**General items** subject to use tax if sales tax was not paid at the time of purchase or rental include:

- Computers, peripherals and prewritten software
- Digital products
- Business signs
- Office furniture or artwork
- Security systems
- Construction services, repairs, and pest control
- Telephone and cable infrastructure and equipment
- Tools and equipment
- Supplies that do not become a component part of a construction project (e.g., rags, tape, sand paper, double head nails, etc.)
- Equipment rentals with and without an operator
- Materials installed into a project subject to B&O tax under public road construction or federal government contracting classifications

**Exception** - The following is not subject to use tax:

- Merchandise or inventory (Items purchased for resale without intervening use. Does not include complimentary items.)

**For more information**

- Online Use Tax (<http://dor.wa.gov/WhatIsUseTax>) page
- Construction Guide (<https://dor.wa.gov/doing-business/business-types/industry-guides/construction>)
- Request a ruling (<http://dor.wa.gov/rulings>) regarding the application of use tax to your business