

## Information on Washington's Tax Structure



# Resale Certificate

**The information contained in this fact sheet is current as of the date of this publication and provides only general information about Resale Certificates. It does not alter or supersede any administrative regulations or rulings issued by the Department.**

### RESALE CERTIFICATES

All sales of tangible personal property and certain services (such as contracting) to customers in Washington are subject to the retail sales tax unless they are specifically exempted by law. One of the most frequently used exemptions from the retail sales tax is the purchase of goods or services for resale.

Any business operating in Washington that makes purchases for resale, must complete and submit a resale certificate to the seller. If not, the seller is required to charge the buyer retail sales tax on the total purchase.

### REASONS FOR USING A RESALE CERTIFICATE

A business may only complete a resale certificate for purchases of property or services, which are:

1. For resale in the regular course of business, without intervening use by the buyer; or
2. An ingredient or component part of a new article of tangible personal property produced for sale; or
3. Chemicals used in processing an article produced for resale; or
4. For use in processing ferrosilicon which is subsequently used in producing magnesium for sale; or
5. To be provided to consumers as part of competitive telephone service; or
6. Feed, seed, seedlings, fertilizer, spray materials, or agents for enhanced pollination, including insects

such as bees, for use by a farmer for producing for sale any agricultural product; or use in the federal conservation service program or its successor administered by the United States Department of Agriculture.

When goods or services are purchased for the reasons stated above, the buyer must give the seller a fully completed resale certificate. **Resale certificates should not be sent to the Department of Revenue.**

### PURCHASES FOR DUAL PURPOSES

Many times a business will withdraw items purchased for resale from inventory for its own use. For example, an office supply store selling office supplies may also use some of these items to operate the store. Another example would be a supermarket using products taken from inventory to clean the store. In these instances, the business is making purchases for dual purposes, that is, partly for resale and partly for its own use.

Buyers making purchases for dual purposes must purchase according to the general nature of their business. If the item purchased is principally resold, the buyer may issue a resale certificate for the entire purchase. Use tax should be paid on any items withdrawn from inventory and used by the business. If the item purchased is principally used by the business, a resale certificate should not be given and retail sales tax should be paid. The business may take a tax paid at source deduction for items resold when sales tax was previously paid.

Another type of business that frequently makes purchases for dual purposes is a contractor, who does both speculative and custom building. Speculative builders

are required to pay retail sales tax on all material and subcontract labor that is used during construction. Custom builders purchase material and subcontract labor for resale, and charge their customer retail sales tax on the final contract price.

When a contractor purchases material and does not know if it will be used for a speculative or custom building, the resale certificate must be used as follows:

If the **majority** of the contractor's business is **speculative building** and only a minor part is custom building, the contractor, must pay retail sales tax on the total purchase. A resale certificate should not be used. If any of this material is incorporated into a custom building, the contractor can take a deduction for tax paid at source on the Combined Excise Tax Return. This deduction is for the cost of custom building material on which sales tax has been paid.

If a contractor does mostly **custom building** and very little speculative building, then a resale certificate may be used for the total purchase. If some of the material is used on a speculative building, use tax is due on the cost of the materials used. The use tax is paid on the Combined Excise Tax Return.

## RESPONSIBILITIES AND LIABILITIES

◆ **SELLER** A seller must receive a fully completed resale certificate at the time of sale, or within a reasonable time after the sale. The Department of Revenue has determined 120 days to be a reasonable time. A legible fax or copy of the original certificate may be accepted. If the seller does not receive a resale certificate, the seller **MUST** charge the customer retail sales tax.



If the resale certificate is not obtained within the reasonable time specified, the seller is required to amend its Combined Excise Tax Return. The amended return should change the sale from a wholesale sale to a retail sale and report the retail sales tax. If the buyer does not pay the retail sales tax, the seller may attempt to collect it through legal means. The Department of Revenue will look to the seller for the retail sales tax.

However, if the seller can provide proof to the Department that the sale was a wholesale sale, without the resale certificate, the Department will not require the seller to pay the retail sales tax.

Proof may consist of:

1. The nature of the buyer's business.
2. The quantity and frequency of items sold.
3. Any available documents, such as purchase orders and shipping instructions that may help prove that the items were for resale.

**The seller must accept the resale certificate in good faith.** The seller should use prudent judgment at the time of sale and attempt to determine if a buyer will actually resell the items or services. For example, a person purchases several silk plants and provides a resale certificate. The type of business listed on the resale certificate is "physician." A question should immediately arise as to whether the physician will resell the plants or use them for office decoration.

The seller has the right to deny a sales tax exempt sale, if the seller feels the buyer is not going to resell the items.

◆ **BUYER** Buyers may use the resale certificate to purchase items or services for resale in the regular course of business or for any other reasons listed at the beginning of this publication. Purchases made with the use of a resale certificate for any other reason are not permitted.

Buyers must understand that if they use the resale certificate to purchase items or services for their own use, without paying the retail sales tax, they will be assessed a penalty of fifty percent of the tax due on the improperly purchased item or service. This penalty will be in addition to any other taxes, penalties or interest due on the purchase.

Penalties will be assessed on improper use, which is why the following or a similar statement must be on each resale certificate:

I acknowledge that I am solely responsible for purchasing within the categories listed. I acknowledge that misuse of the resale privilege claimed by use of this certificate subjects me to a **penalty of 50 percent of the tax due**, in addition to the tax, interest, and any other penalties imposed by law.

This penalty is assessed by the Department of Revenue only against the buyer.

Examples of improper purchases using a resale certificate are:

XYZ, a restaurant, purchases a vacuum using a resale certificate. XYZ does not sell vacuums, therefore, a resale certificate may not be used.

ABC, seller of containers, purchases pallets to use for storing and moving the containers in its warehouse using a resale certificate. ABC does not sell the pallets, they are for ABC's own use in the warehouse. A resale certificate may not be used.

Both of these businesses should not use a resale certificate for such purchases. They must pay the retail sales tax at the time of purchase. If these situations are discovered in an audit, the businesses would be assessed the 50 percent penalty, along with the tax, interest and delinquent penalties otherwise due.

#### SINGLE-USE OR BLANKET CERTIFICATE

A resale certificate is required when goods or services are purchased for resale or for any other purposes listed on the front page. For purchases from the same seller(s) on a regular basis, a blanket resale certificate may be used. The resale certificate must be given to the seller by the buyer at the time of purchase, or within a reasonable time (120 days).

Resale certificates may be faxed to the seller prior to, or within 120 days after, the purchase. Faxed certificates are acceptable.

◆ **SINGLE-USE** A single-use resale certificate is given to the seller at the time of the purchase for a specific purchase only. The seller must keep the certificate or a copy of the certificate in its records for five years after the certificate is received.

In a single-purchase situation, the information from the certificate may be written or stamped on the purchase order or invoice. The language should be the same as written on the actual certificate, including the penalty acknowledgment statement. The buyer must sign the purchase order or invoice. This invoice must be kept by the seller in the same manner as the resale certificate.

◆ **BLANKET CERTIFICATE** A blanket certificate (good for four years), is the same certificate as the single-use certificate, except that a statement should be added that the certificate shall be considered a part of each future order. Both the buyer and the seller understand that the buyer will be making purchases of the same items for resale on a regular basis. The blanket resale certificate may be used for four years before it must be renewed. The renewal date is four years from the date the certificate is completed. The seller must keep the resale certificate in its records for a period of five years after the last use of the certificate.

#### SALES TO PERSONS WHO HAVE NO UNIFIED BUSINESS IDENTIFIER (UBI)/REVENUE REGISTRATION NUMBER

On occasion, someone will not have a Washington UBI/Revenue registration number and will want to make a retail sales tax exempt purchase for resale. Such sales may be made under certain circumstances.

◆ **FARMERS** Farmers are not required to register with the Department of Revenue unless they sell their products at retail. Farmers who sell products at either wholesale or retail are entitled to make purchases of feed, seed, seedlings, fertilizer, spray materials or agents for enhanced pollination, such as bees, without paying the retail sales tax on these items.

If farmers do NOT have a UBI/Revenue registration number, they should still complete the resale certificate (single-use or blanket) and leave the UBI/Revenue registration number line blank. They must mark the box "for use as feed, seed, seedlings, fertilizer, or spray materials in my capacity as farmer."

Farmers who make purchases **for their own use and do not sell** their agricultural products are not entitled to use a resale certificate. Such persons must pay retail sales tax on all their purchases of feed, seed, etc.

◆ **OUT-OF-STATE BUSINESSES** Out-of-state businesses which do not operate in Washington are not required to obtain a UBI/Revenue registration number. Such businesses may make purchases from Washington sellers, stating that the purchases are for resale. These out-of-state buyers must complete the same resale certificate (single-use or blanket). The resale certificate should be completely filled out with the

exception of the UBI/Revenue registration number. The registration number is not required if the business is not required to be registered in this state. If the business has a registration number from the state in which it is located, that number and the state should be put on the resale certificate. If there is not a number, the line should be left blank. The buyer's address will show that they are an out-of-state business.

**COMPLETING THE RESALE CERTIFICATE**

Resale certificates come in many forms. They may be purchased from business stationery stores or created to meet the specific needs of a business. In every case, certain information is required on the certificate. A copy of the approved certificate is shown below.

The resale certificate must contain the following specific information for it to be valid. Please refer to the copy of the resale certificate as the requirements are discussed.

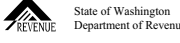
1. **Name of Seller** Name of the business making the sale.
2. **Name of Buyer/Business** Registered name of the business, such as John Jones Corporation or John Jones d/b/a Jones Construction.
3. **Address of Buyer** Actual mailing address of the buyer.
4. **Buyer's UBI/Revenue Registration Number** Nine-digit number that usually starts with 600, 601, or 602. In some cases, with well-established accounts, the number may start with some other three numbers. With some older accounts, there may not be nine digits. Out-of-state business numbers may start with 409. This number is found on the Master License or the Combined Excise Tax Return.

Whenever you are in doubt about a UBI/Revenue registration number, please call the Department of Revenue's Telephone Information Center at 1-800-647-7706 and ask to verify the number. You may also verify the number yourself on the Department of Revenue's State Business Records Database. The address is on our website at <http://dor.wa.gov/prd>.

See the information under SALES TO PERSONS WHO HAVE NO UBI/REVENUE REGISTRATION NUMBER for treatment of buyers with no number.

5. **Buyer is in the business of** The specific type of business the buyer is operating, such as electrical contractor, clothing sales, sales of general merchandise, grocery store, manufacturer of paper products, appliance repair, auto sales and repair, etc.

6. **Types of items purchased for resale** These items or services should be directly related to the type of business described above. Each individual item does not have to be identified. A general



**RESALE CERTIFICATE**

1. Name of Seller: \_\_\_\_\_

2. Name of Buyer/Business: \_\_\_\_\_

3. Address of Buyer: \_\_\_\_\_  
Street City, State Zip Code

4. Buyer's UBI/Revenue Registration Number: \_\_\_\_\_

5. Buyer is in the business of: \_\_\_\_\_

6. Types of items purchased for resale: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*The buyer certifies that it is purchasing the items listed on line 6 (please check appropriate box):*

for resale in the regular course of business without intervening use.

for use as an ingredient or component part of a new article of tangible personal property to be produced for sale,

as a chemical to be used in processing a new article of tangible personal property to be produced for sale, or

for use as feed, seed, seedlings, fertilizer, or spray materials in its capacity as a farmer.

*The buyer acknowledges that it is solely responsible for purchasing within the categories listed on line 6. The buyer acknowledges that misuse of the resale privilege subjects the buyer to a penalty of 50 percent of the tax due, in addition to the tax, interest, and any other penalties imposed by law.*

Print Name: \_\_\_\_\_  
Name of Person Authorized By the Buyer to Sign the Resale Certificate

Signature: \_\_\_\_\_  
Signature of Authorized Agent of the Buyer

Effective Date: \_\_\_\_\_ through \_\_\_\_\_  
(Not To Exceed 4 Years)

Date Signed: \_\_\_\_\_

Seller must maintain a copy. **Please do not send to Department of Revenue.**  
 Reference Rule and Statute (RCW 82.08.130 and WAC 458.20.102)

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description will meet the requirements. For example, the electrical contractor may list items as wiring and other electrical supplies. The auto sales and repair shop may list its purchases as automotive paint, parts, or oil and other lubricants.

◆ **Reasons** Any one, or combination, of the reasons for using the resale certificate may be used. Which one(s) is or are completed depends on the type of business operated. Most businesses will make purchases “for resale in the regular course of business.” The reasons match the exemptions listed on the front page and are self-explanatory.

◆ **Print Name** After marking the reason for using the resale certificate, the person authorized to make the purchase(s) must print his/her name.

◆ **Signature** The authorized person is required to sign the certificate. (The same person who printed their name.)

The authorized person may be the business owner, a corporate officer, a partner or any employee of the company authorized to make the purchase. This **authorized person does not have to be the person presenting the certificate to the seller.** For instance, the bookkeeper will sign the certificate and give it to another employee or a contractor to present to the seller and make the purchases.

If the seller knows the purchaser is a representative or employee of the company, the sale can be completed. If the seller does not know the person wishing to buy items under the authority of a resale certificate or has any doubts about the purchase, the seller should call the business and verify that the person is, in fact, authorized to make such purchases.

◆ **Effective Date** The date the certificate is first used must be entered. This date is used to determine when the certificate expires and how long it must be kept in the seller’s records.

**Remember, a properly completed resale certificate protects both the buyer and the seller. See the section titled RESPONSIBILITIES AND LIABILITIES on the second page for more information about when the buyer and/or seller may be responsible for the retail sales tax and/or penalties for incorrect use or misuse of a resale certificate.**

## FOR MORE INFORMATION

For answers to specific questions, please contact your local Department of Revenue office or the Telephone Information Center. Their locations and telephone numbers are shown on the last page of this publication, or you may write to:

Taxpayer Information and Education  
Washington State Department of Revenue  
Post Office Box 47478  
Olympia, Washington 98504-7478  
FAX (360) 664-0456

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## PUBLICATIONS

Following are a few of the publications related to the resale certificate.

- ◆ Guide to Completing the Washington State Combined Excise Tax Return
- ◆ Information on Washington’s Tax Structure - Retail Sales Tax
- ◆ Information on Washington’s Tax Structure - Business and Occupation Tax

Many administrative rules provide guidelines for specific activities and/or businesses and their use of the resale certificate. These specific rules are available on our Internet web site at <http://dor.wa.gov> or upon request. Please contact your local Department of Revenue office or the Telephone Information Center at the numbers listed on the last page of this publication for this service.

The Washington State Department of Revenue also offers free business tax workshops to help you better understand your tax obligations and record keeping requirements. Please contact the Department of Revenue office nearest you for more information about these workshops.

Department of Revenue

Toll-Free  
Telephone Information center  
1-800-647-7706



FIELD OFFICE LOCATIONS

919 SW Grady Way  
Suite 150  
PO Box 877  
**RENTON** 98057-0877  
(425) 277-7300

2101 4th Ave Suite 1400  
**SEATTLE** 98121-2300  
(206) 956-3002

1904 Humboldt St Suite A  
PO Box 1176  
**BELLINGHAM** 98227-1176  
(360) 676-2114

11627 Airport Rd B  
**EVERETT** 98204-8714  
(425) 356-2911

4407 N Division St  
Suite 300  
**SPOKANE** 99207-1685  
(509) 482-3800

734 E First St Suite B  
PO Box 400  
**PORT ANGELES** 98362-0064  
(360) 457-2564

630 N Chelan Suite B3  
PO Box 220  
**WENATCHEE** 98807-0220  
(509) 663-9714

4841 Auto Ctr Way  
Suite 201  
**BREMERTON** 98312-4394  
(360) 478-4961

1714 S 16th Ave  
**YAKIMA** 98902-5713  
(509) 575-2783

110 W Market St  
PO Box 1018  
**ABERDEEN** 98520-0209  
(360) 533-9312

22 W Kennewick Ave  
PO Box 7207  
**KENNEWICK** 99336-0616  
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Target Place Complex  
2735 Harrison Ave NW  
Suite 440  
PO Box 12900  
**OLYMPIA** 98508-2900  
(360) 753-3181

8008 NE Fourth Plain Blvd Suite  
320  
PO Box 1648  
**VANCOUVER** 98668-1648  
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