

WAC 458-20-187 Tax responsibility of vending machine owners and operators. (1) **Introduction.** This rule explains the taxability of income from the sale, lease, and operation of vending machines. It does not apply to vending machines used in the conduct of a public utility business, such as public pay telephones.

(2) **Other rules that may apply.** Readers may want to refer to other rules for additional information, including those in the following list:

- (a) WAC 458-20-102 Reseller permits.
- (b) WAC 458-20-108 Selling price—Credit card service fees, foreign currency, discounts, patronage dividends.
- (c) WAC 458-20-127 Newspapers, magazines, and periodicals.
- (d) WAC 458-20-131 Gambling activities.
- (e) WAC 458-20-15503 Digital products.
- (f) WAC 458-20-165 Laundry, dry cleaning, linen and uniform supply, and self-service and coin-operated laundry services.
- (g) WAC 458-20-178 Use tax and the use of tangible personal property.
- (h) WAC 458-20-183 Amusement, recreation, and physical fitness services.
- (i) WAC 458-20-185 Tax on tobacco products.
- (j) WAC 458-20-186 Tax on cigarettes.
- (k) WAC 458-20-243 Litter tax.
- (l) WAC 458-20-244 Food and food ingredients.

(3) **What are vending machines?** Vending machines are machines that through the insertion of coins or other forms of payment will provide one of the following functions either directly or under the operation of the patron:

(a) **Vending machines that return tangible personal property.** Tangible personal property returned from vending machines include, but is not limited to, photographs, toiletries, cigarettes, beverages, food, candy, and tangible media such as a DVD or CD.

(b) **Vending machines that provide a service.**

(i) Vending machines that provide a retail service include machines that install, repair, clean, alter, imprint, improve tangible personal property, or provide any other service listed as a retail sale under RCW 82.04.050. Examples include, but are not limited to, vending machines that provide bowling ball polishing, perform car washes, allow the operation of vacuum equipment, and dispense air or water. Also included are vending machines that provide locker rentals found in amusement park, theme park, and water park facilities, as provided in RCW 82.04.050, and vending machines that accept self-payment for automobile parking.

(ii) Vending machines that provide a nonretail service include, but are not limited to, weight scales, coin cashing machines, and luggage locker rentals at any facility other than an amusement park, theme park, or water park; and self-service and coin-operated laundry services. For information about self-service and coin-operated laundry services, see WAC 458-20-165.

(c) **Vending machines that offer a game to be played.**

(i) Vending machines that offer retail games to be played, such as those listed in RCW 82.04.050, including air hockey, billiards, pool, foosball, darts, shuffleboard, ping pong, and similar games.

(ii) Vending machines that offer nonretail games to be played include, but are not limited to, pinball and arcade games.

(4) **Taxability of income from vending machines.**

(a) **Retailing and retail sales tax.** Persons operating vending machines listed in subsection (3)(a), (b)(i), and (c)(i) of this rule are making a retail sale and must report and pay tax under the retailing business and occupation (B&O) tax classification on the gross receipts from those machines. In addition, the retail sales tax applies to sales through vending machines listed in subsection (3)(a), (b)(i), and (c)(i) of this rule and operators of such machines are liable for the collection and payment of the tax.

(i) **Retail sales tax separately stated.** Retail sales tax does not need to be stated separately from the selling price or collected separately from the buyer when sales are through vending machines. See RCW 82.08.050. The operator may deduct the tax from the total amount received in the machine to arrive at the net amount that becomes the measure of the retailing B&O and retail sales tax.

(ii) **Exemption for food and food ingredients.** Retail sales and use tax exemptions for food and food ingredients do not apply to sales of food and food ingredients dispensed from vending machines. For information on how to calculate tax on food and food ingredient sales see WAC 458-20-244.

(b) **Service and other activities.** Persons operating vending machines listed in subsection (3)(b)(ii) and (c)(ii) of this rule must report and pay tax under the service and other activities B&O tax classification on the gross receipts from those machines.

(c) **License to use real property.** When vending machines are placed at a location owned or operated by a person other than the owner of the machines, under any arrangement for compensation to the location operator, the location operator has granted the owner of the machines a license to use real property. The location operator is responsible for remitting tax on its gross receipts under the service and other activities B&O tax classification.

(d) **Sales and leases of machines.** Sales or leases of vending machines to persons who will operate them are sales at retail subject to the retailing B&O and retail sales tax.

(e) **Use or deferred sales tax.** The use or deferred sales tax applies to all tangible personal property used by persons making sales through vending machines, if the retail sales tax has not been paid, except inventory items resold through such machines.

[Statutory Authority: RCW 82.32.300 and 82.01.060(2). WSR 16-17-066, § 458-20-187, filed 8/16/16, effective 9/16/16. Statutory Authority: RCW 82.32.300. WSR 86-18-022 (Order ET 86-15), § 458-20-187, filed 8/26/86. Statutory Authority: RCW 82.01.060(2) and 82.32.300. WSR 78-07-045 (Order ET 78-4), § 458-20-187, filed 6/27/78; Order ET 73-1, § 458-20-187, filed 11/2/73; Order ET 71-1, § 458-20-187, filed 7/22/71; Order ET 70-3, § 458-20-187 (Rule 187), filed 5/29/70, effective 7/1/70.]