Washington State Department of Transportation

Memorandum

November 29, 2013

TO: Region Plans Engineers
Region Construction Engineers
Region Project Development Engineers

THRU: Pasco Bakotich
360-705-7231

FROM: Jeff Carpenter
360-705-7821

SUBJECT: Application of Retail Sales Tax on WSDOT Construction Contracts

Retail sales tax information is provided in our contracts via the summary of quantities, special provisions and standard specifications. When an estimate is developed in EBASE, the tax rate is established as part of the summary of quantities when the tax control section is selected by the designer during the development of an estimate.

In the past, Work on federal and Tribal Lands (Indian Country WAC 458-20-192) was classified as "*Work Performed on City, County or Federally-Owned Land*" in accordance with standard specification 1-07.2(1) and as such, retail sales tax would be included in the contractor's bid items and sales tax would ***not*** be applied to the contract total (rule 171). The DOR has come out with an advisory that has required WSDOT to change this practice. An Excise Tax Advisory published December 28, 2009, by Washington State Department of Revenue, interprets WAC 458-20-170 and WAC 458-20-171 in such a manner that;

WSDOT construction contracts that fall within WSDOT Right-Of-Way and/or within WSDOT easements regardless of underlying ownership of the property are subject to retail sales tax being applied to the entire contract amount (rule 170). This includes Work performed on in Federal and Tribal Lands where our State highway is there by easement (rule170)

It has been determined that WSDOT has been applying the wrong Sale Tax Rule with regard to work located on federal or tribal land. This has prohibited us from closing 11 contracts until we receive clearance from Department of Revenue.

This memorandum is being sent to the Regions to make them aware that on January 6, 2014 a new Sales Tax Amendment will be in Effect, for projects going to Ad on and after that date, along with new control sections in the Ebase system that will capture the correct sales tax on federal or tribal lands.

Projects that are being worked in Ebase for a future Ad date or Scoping date beyond January 6, 2014 will need to update their Ebase Groups after January 6, 2014 to capture the new control sections.

EJC/mjg
Attachment

cc: Bill Attridge-AG
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