

Indirect/Sales/Use:

Washington: Electronic Integrated Service Offering is Deemed a Taxable Digital Automated Service

Det. No. 19-0284R, 41 WTD 118 (2022), Wash. Dept. of Rev., Admin. Rev. & Hrgs. Div. (4/12/22). In an administrative ruling involving an out-of-state company providing electronic account access to credit unions through one or more software applications, along with licenses to use its software and other related professional services using its platform and phone system services, the Administrative Review and Hearings Division of the Washington Department of Revenue (Division) held that the company was providing the sale of an integrated service offering with multiple features and functions that collectively is subject to Washington retail sales tax as a retail digital automated service (DAS) even though individual elements of the service offering may fit within specific Washington retail sales tax exclusions. In doing so, the Division reasoned that the company is *not* actually selling any of the enumerated excluded services or otherwise charging its member credit card unions for specific excluded services but rather “these services are but component parts of a larger, integrated service” for which there is no applicable exclusion. The Division concluded that the company’s service offering fits generally into the definition of a DAS under Wash. Rev. Code section 82.04.192(3)(a) and Wash. Admin. Code section 458-20-15503(203)(a), and that none of the provided facts shows the sale of a specifically enumerated exempt service and therefore its overall offering is taxable. Among its arguments to the contrary, the company unsuccessfully claimed that its platform and phone services fell under Washington’s data processing exclusion. Please contact us with any questions.

URL: <https://dor.wa.gov/sites/default/files/2022-04/41WTD118.pdf>

— Robert Wood (Seattle)
Senior Manager
Deloitte Tax LLP
robwood@deloitte.com

Myles Brenner (Seattle)
Senior Manager
Deloitte Tax LLP
mybrenner@deloitte.com

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