

Gross Receipts:

Washington: Ruling Explains Sourcing Income from Railroad Car Rentals as Periodic Lease Payments

Determination No. 21-0202, Wash. Dept. of Rev. (9/9/24). A ruling issued by the Administrative Review and Hearings Division of the Washington Department of Revenue (Division) held that with respect to an out-of-state company that leased railroad cars to private companies to transport persons or property, each periodic lease payment represented a separate sale for Washington retail sales tax and retailing business and occupation (B&O) tax purposes. Accordingly, under Rev. Code of Wash. section 82.32.730(1) and Wash. Admin. Code section 458-20-193 (Rule 193), the first periodic payments the company received for the railcars delivered to its customers must be sourced to the location where the customers received the railcars, and the subsequent periodic payments must be sourced to the business addresses of the taxpayer's customers. The Division also noted that different sourcing rules applied for periods before July 1, 2017, under prior state law. Please contact us with any questions.

URL: <https://dor.wa.gov/sites/default/files/2024-09/43WTD043.pdf>

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