

WAC 458-20-249 Artistic or cultural organizations. (1) **Introduction.** This rule explains deductions and exemptions from Washington business and occupation tax, retail sales tax and use tax as applied to artistic and cultural organizations. Readers may refer to the following for additional information.

RCW 82.04.4327 Deductions—Artistic and cultural organizations—Income from business activities.

RCW 82.04.4328 Artistic or cultural organization defined.

RCW 82.08.031 Exemptions—Sales to artistic or cultural organizations of certain objects acquired for exhibition or presentation.

RCW 82.12.031 Exemptions—Use by artistic or cultural organizations of certain objects.

WAC 458-20-169 Nonprofit organizations.

WAC 458-20-178 Use tax and the use of tangible personal property.

(2) **Definitions.**

(a) "Artistic or cultural organization" means an organization that is organized and operated exclusively for the purpose of providing artistic or cultural exhibitions, presentations, or performances or cultural or art education programs for viewing or attendance by the general public and meets all of the following requirements:

(i) The organization is a not-for-profit corporation under chapter 24.03 RCW;

(ii) The organization is managed by a governing board of not less than eight individuals none of whom is a paid employee of the organization;

(iii) No part of the organization's income may be paid directly or indirectly to its members, stockholders, officers, directors, or trustees except in the form of services rendered by the corporation in accordance with its purposes and bylaws;

(iv) Salary or compensation paid to the organization's officers and executives must be only for actual services rendered, and at levels comparable to the salary or compensation of like positions within the state;

(v) Assets of the corporation must be irrevocably dedicated to the activities for which the exemption is granted;

(vi) On the liquidation, dissolution, or abandonment by the corporation, assets of the corporation may not inure directly or indirectly to the benefit of any member or individual except a nonprofit organization, association, or corporation which also would be entitled to the exemption;

(vii) The corporation must be duly licensed or certified when licensing or certification is required by law or regulation;

(viii) The amounts received that qualify for exemption must be used for the activities for which the exemption is granted;

(ix) Services must be available regardless of race, color, national origin, or ancestry; and

(x) The director of revenue must have access to its books in order to determine whether the corporation is exempt from taxes.

(b) The term "artistic or cultural exhibitions, presentations, or performances or cultural or art education programs" includes and is limited to:

(i) An exhibition or presentation of works of art or objects of cultural or historical significance, such as those commonly displayed in art or history museums;

(ii) A musical or dramatic performance or series of performances;

or

(iii) An educational seminar or program, or series of such programs, offered by the organization to the general public on an artistic, cultural, or historical subject.

(3) **Business and occupation tax deduction.** In computing tax under RCW 82.04.4327, an artistic or cultural organization may deduct the following from the measure of tax:

(a) All amounts received by the artistic or cultural organization; and

(b) The value of articles manufactured by the artistic or cultural organization solely for use by the organization in displaying art objects or presenting artistic or cultural exhibitions, performances, or programs for attendance or viewing by the general public.

(4) **Retail sales tax.**

(a) Artistic or cultural organizations that charge for goods or services included in the definition of "retail sale" under RCW 82.04.050, must collect and report the retail sales tax. No sales tax exemption is available for sales by such organizations.

(b) Such organizations are exempt from paying retail sales tax on their purchases of certain "objects" for the purpose of exhibition or presentation to the general public if the objects are:

(i) Objects of art;

(ii) Objects of cultural value;

(iii) Objects to be used in the creation of a work of art, other than tools; or

(iv) Objects to be used in displaying art objects or presenting artistic or cultural exhibitions or performances. (RCW 82.08.031)

(c) The term "objects" means items of tangible personal property. It does not include professional or commercial services rendered by third parties. Where certain services are performed which are merely incidental to sales of tangible personal property, e.g., designing playbills or altering stage curtains which are then sold to qualifying organizations, the total charge will be exempt.

(d) Charges for materials, equipment, and services related to repair, maintenance, or replacement of buildings or structures are not exempt. Thus, e.g., theater seats, aisle carpeting, air conditioning systems, painting of interior or exterior of buildings, and the like are not tax exempt "objects."

(e) Exempt sales include rentals of exempt objects. Examples of objects that qualifying artistic or cultural organizations may purchase without payment of retail sales tax are:

(i) Tickets, programs, signs, posters, fliers, and playbills printed for particular displays or performances; scenery, costumes, stage props, scrimms, and materials for their construction;

(ii) Stage lights, filters, control panels, color medium, stage drapes, sets, set paint, gallery exhibition materials, risers, display platforms, and materials for their construction;

(iii) Sheet music, recordings, musical instruments and musical supplies for the staging of displays and performances;

(iv) Movie projectors, films, sound systems, video and sound equipment and supplies, computer hardware and standard, prewritten software directly used exclusively in the staging of performances or actual display of art objects.

(f) Examples of objects that qualifying artistic or cultural organizations may purchase, on which the retail sales tax must be paid are:

(i) Supplies and equipment for clerical support, including bulk tickets for general use, stationery, typewriters, copy machines, and general office supplies;

(ii) Theater seats, lobby furniture, carpeting, vending machines, and general supplies for audience or patrons' convenience and use;

(iii) Shipping and packing materials, crates, boxes, dunnage, labels, tags, and container-related items for transfer or storage of exempt objects;

(iv) Sewing machines and other durable equipment used to prepare, repair, and maintain exempt objects (such items are deemed to be "tools," rather than exempt objects);

(v) Theater or building lighting and utility fixtures and systems, and computer hardware and software not directly and exclusively used in staging performances or actually displaying art objects.

(g) Qualified artistic and cultural organizations may obtain the tax exemptions by providing their suppliers with a written statement in essentially the following form:

I, (buyer's name), hereby confirm that the items purchased on (date of purchase), without payment of retail sales tax, from (seller's name) are all objects of art or cultural value or to be used in the creation of such objects or in displaying art objects or presenting artistic or cultural exhibitions or performances.

(signature of authorized purchaser)

for: (name of organization)

(registration no. of organization)

(h) Vendors who accept such certifications in good faith are not required to collect and remit sales tax on such sales.

(6) **Use tax.** Under RCW 82.12.031, the use tax does not apply to the use of any objects that would be exempt from sales tax had the objects been purchased in this state. The use tax applies to all other items of tangible personal property that artistic or cultural organizations use upon which retail sales tax has not been paid.

[Statutory Authority: RCW 82.01.060 and 82.32.300. WSR 21-01-064, § 458-20-249, filed 12/9/20, effective 1/9/21. Statutory Authority: RCW 82.32.300. WSR 86-07-006 (Order ET 86-4), § 458-20-249, filed 3/6/86.]