

Understanding ESSB 5814:

What Arts & Cultural Nonprofits Need to Know



Effective October 1, 2025, Engrossed Substitute Senate Bill (ESSB) 5814 will expand Washington's retail sales tax to include new types of services—some of which directly affect arts and cultural organizations.

Live presentations may be taxable

Under ESSB 5814, some educational activities offered by nonprofits are now considered retail sales:

- » **Taxable:** Workshops, classes, training programs, and seminars (e.g., pottery classes, music lessons, summer arts camps)
- » **Not taxable:** Performances (e.g., plays, concerts, operas), fundraising events, sports, or movies

If you charge a fee for a class or workshop, you'll likely need to collect retail sales tax and pay retailing B&O tax.

New taxes on services you buy

Retail sales tax now applies to common services you may purchase:

- » **IT services:** Help desk, tech support, software training
- » **Custom website development**
- » **Security & monitoring:** Event security, alarm systems
- » **Advertising services:** Design, digital marketing, SEO, campaign planning
- » **Temporary staffing:** Workers hired through an agency for events or admin support (if they work under your direction)

Note: Tax is generally based on where the service is used or delivered.





Other key points

- » **B&O deduction:** Many artistic and cultural nonprofits may qualify for a B&O tax deduction on eligible activities. Ask your accountant about RCW 82.04.4327.
- » **Digital services:** Information technology services may now be taxable.
- » **Existing contracts:** Contracts for retail services in ESSB 5814 signed before Oct. 1, 2025 may qualify for special treatment until March 31, 2026. If they're materially changed or renewed after October 1, 2025, the new tax rules apply.
- » **Resale:** If you resell a service (e.g., subcontract work), you may use a reseller permit—if you don't use the service yourself.
- » **Multiple locations:** If qualifying services are used in multiple states concurrently, you may qualify for a partial sales tax exemption (MPU exemption).

Affiliated entities:

- » Advertising sold between related organizations is not taxed
- » Staffing services between affiliates are taxed

Next steps

- » Talk to your accountant or tax advisor
- » Review service contracts now
- » Plan for added costs in your budget

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