

Upcoming sales tax changes may impact government and education-related service costs

We want to inform you about recent legislation that may affect the cost of contracted services for local governments and educational organizations.

Engrossed Substitute Senate Bill (ESSB) 5814, effective **Oct. 1, 2025**, expands the definition of **retail sales** under Washington law. As a result, several business services that were previously not subject to sales tax will become taxable. This may impact the cost of services your agency or jurisdiction contracts for.

Key changes

Beginning Oct. 1, 2025, sales tax will apply to the following services:

- Information technology services.
- Custom website development.
- Investigation, security, and armored car services.
- Temporary staffing services.
- Advertising services.
- Live presentations.
- Sales of custom software and customization of prewritten software.

ESSB 5814 also removes the following exclusions from the definition of digital automated services (DAS):

- Services involving primarily human effort.
- Live presentations.
- Advertising services.
- Data processing services.

The bill also created a new exclusion to DAS for “telehealth” and “telemedicine services.”

Why this matters

Purchasing

If your organization contracts with vendors to provide services in any of these categories, you may see increased costs due to the vendors’ obligation to collect and remit sales tax starting Oct. 2025. This may apply to services commonly used in procurement, operations, facilities, communications, technology, and instruction support.

Selling

If your organization sells any of the newly taxable services listed above, you may be responsible for collecting and remitting retail sales tax on those transactions beginning Oct. 2025.

Available resources

Find educational resources on our [webpage](#), including:

- Special notices for each category of service.
- Frequently asked questions.
- Webinars: Intro to sales tax.
- Interim guidance statements (coming Sept. 2025).

If you have questions or concerns regarding these changes or how they may affect your organization, please submit a ruling request [online](#) or by email at Rulings@dor.wa.gov.