



# This Week in State Tax (TWIST)

October 26, 2026



## Washington: Department finds Affiliate's Video Production Services Not Classified as Digital Goods

The Washington Department of Revenue ("Department") recently published a 2023 decision of the Administrative Review and Hearings Division ("Division") addressing whether a taxpayer's filming, recording, and production of television programming for its parent company should be taxed as sales of digital goods or professional services. The taxpayer, a wholly owned subsidiary, filmed and recorded games and produced finished content under a services agreement to meet the programming needs of its parent company. The taxpayer asserted that the programming content constituted digital audiovisual works and therefore digital goods whose sales were subject to retail sales tax and retailing business and occupation (B&O) tax, rather than the service and other activities B&O tax. The Department disagreed, concluding that the taxpayer provided professional services excluded from the definition of digital goods and the services were subject to the service and other activities B&O tax, which carried a higher tax rate during the audit period. Following an audit covering January 1, 2012, through December 31, 2015, the Department assessed the service and other activities B&O tax, reversed small business credits, and imposed penalties and interest. The taxpayer petitioned the Division for reconsideration.

The Division explained that, under Washington regulations, professional or personal services represented in electronic form are excluded from the definition of a digital good when the service primarily involves human effort and the human effort originates after the customer requests the service. The Division concluded that the taxpayer's finished programming content, including audio commentary, was not a digital good despite its electronic transmission because its production primarily involved human effort performed after the parent requested the filming under the services agreement. Accordingly, the taxpayer's activities satisfied both criteria for the professional services exclusion, and its income was subject to the service and other activities B&O tax rather than retailing B&O tax. The taxpayer's petition for reconsideration was denied.

Contact [Michele Baisler](#) with questions about [Determination No. 22-0244R](#).

Learn about us:



[kpmg.com](https://www.kpmg.com)

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS039001

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.