



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 027.04.194

CONVERSION DATE: July 1, 1998

This ETA is cancelled effective December 29, 2006

TESTING AND ENGINEERING SERVICES BY AN OUT-OF-STATE CORPORATION

Issued July 1, 1966

Are the gross receipts from testing and engineering services performed in the State of Washington by an out-of-state corporation taxable under the "Service and Other Activities" classification when they are under an all-cost reimbursement contract?

A corporation had two employees permanently assigned to the Washington facilities to maintain government owned test equipment and teams of its employees came to the state and conducted tests. The corporation received reimbursements in advance for all costs and expenses incurred in the course of rendering services required under the contract, but without any additional fees or profit.

The Commission held that the receipt of reimbursements for services rendered within this state by any corporation becomes taxable as gross income of the company under the Business and Occupation Tax, notwithstanding that no profit is realized from these reimbursements or that such amounts are termed "advances", since neither profit nor loss affect the ultimate decision as to whether an activity comes under the Business and Occupation Tax, for the tax is measured by the gross revenues derived from the privilege of engaging in the taxable activity.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

Please direct comments to:
Department of Revenue
Legislation & Policy Division
P O Box 47467
Olympia, Washington 98504-7467
(360) 753-4161 eta@DOR.wa.gov

To inquire about the availability of receiving this document in an alternate format for the visually impaired or language other than English, please call (360)705-6715. Teletype (TTY) users please call 1-800-451-7985.