



State of Washington  
Department of Revenue

# Excise Tax Advisory

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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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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NUMBER 090.04.203

CONVERSION DATE: July 1, 1998

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**This ETA is cancelled effective March 28, 2008.**

## ADMINISTRATIVE AND PERSONNEL CHARGES BETWEEN AFFILIATED CORPORATIONS

Issued July 22, 1966

Is income taxable when it has been received by a taxpayer from an affiliated corporation for a portion of the salaries of the taxpayer's personnel who spent a part of their time working for the other corporation?

An automobile dealer provided an affiliated corporation with services of some of its officers, clerical help, switchboard operators, administrative personnel, and parts and service employees. The personnel expenses for these employees were prorated according to the gross sales of the two corporations.

The Commission held the reimbursements for administrative, clerical, and general shop services taxable under the "Service" classification. It noted that although Rule 201 permits a deduction for "interdepartmental charges",

"This does not permit the exclusion or deduction of charges against or income derived from an affiliated corporation or other affiliated association."

Under Rule 203 each separately organized corporation is a "person" irrespective of its affiliation with or relation to any other corporation and must file a separate return.

There was no evidence that the employees were employees of both firms. Thus the transactions were considered to be within the definition of "business" as defined by RCW 82.04.140, because they were

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***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.***

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operating "with the object of gain, benefit, or advantage to the taxpayer or another person or class directly or indirectly." Non-profit does not mean non-advantage.