



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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: 051.04.111

CONVERSION DATE: July 1, 1998

**This ETA is cancelled effective February 2, 2009 and reissued under the 3000 series.
See ETA 3001 for a cross-reference to the new series.**

REIMBURSEMENTS FOR PERFORMANCE BOND PREMIUMS

Issued July 8, 1966

Are amounts received by a building contractor to cover the cost of performance bond premiums a part of the gross proceeds from the contract?

Rule 111 provides that money or credits received from a customer to repay the taxpayer for money or credits expended by the taxpayer in payment of costs for the client may be excluded from the measure of the Business and Occupation Tax. The exclusion applies only to reimbursement for obligations satisfied by the taxpayer for which the customer alone is liable.

Amounts received by taxpayer to cover the costs of his performance bond were to satisfy direct obligations of taxpayer building contractor. This obligation was incurred by the taxpayer in carrying on the construction business in which he regularly engages. Thus funds received by the taxpayer from his customer to cover the cost of taxpayer's performance bonds are includible in the gross receipts of the construction contract.

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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