



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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REPEALED 9/14/2001

CONVERSION DATE: July 1, 1998

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## DEDUCTION OF ADVANCES AND REIMBURSEMENTS

Issued July 22, 1966

REPEALED 9/14/2001

Does a taxpayer who undertakes to pay the cost of ticket vendors, service employees, and maintenance employees and receiving compensation from gross concession receipts qualify for a deduction under advances and reimbursements In Rule 111?

The taxpayer, a corporation, was assessed a tax upon certain amounts received from exhibitors and concessionaires to cover the costs of ticket vendors, service employees, and maintenance employees. In certain instances, the taxpayer undertook to fully control, supervise, and service the concessions, to hiring the ticket vendors, service employees and maintenance employees. The taxpayer deducted amounts due it for providing these services before paying the balance over to the concessionaires. The taxpayer contended that these amounts were deductible as reimbursements of amounts advanced by the taxpayer on behalf of the concessionaires and claimed an exemption under Rule 111. The taxpayer stated that no profits were realized from those activities and that they were not intended to be profitable as a business venture. These activities were undertaken by the taxpayer only for security purposes and to assure the continuity of its own activities.

The Tax Commission held that the amounts deducted by the taxpayer from gross concession receipts to cover the costs of providing ticket sellers, service employees, and maintenance employees did not qualify for deduction as advances and reimbursements under Rule 111. The Commission held that the taxpayer had the primary liability as a principal for the payment of the salaries of the ticket vendors, service employees, and maintenance employees and its liability was not limited to that of an agent making payment to these employees on behalf of the concessionaires. It appeared that the direct liability for

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payment of the employees did not rest in the concessionaire, and therefore, the taxpayer was not allowed a deduction under Rule 111.