



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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: 124.08.203

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.**

SERVICES OF A CORPORATE OFFICER TO HIS CORPORATION

Issued August 5, 1966

Where a corporate officer performs services for his corporation by paying construction costs and the corporation reimburses him, is there a "sale at retail"?

Taxpayer, engaged in the construction business both as sole proprietor and as president of a construction corporation, contracted on behalf of the corporation to construct some buildings. All the construction was performed by the sole proprietorship business. The labor was furnished by the sole proprietorship. The corporation then paid the sole proprietorship "reimbursement expenses" for payroll and related costs, on which a Sales Tax was assessed.

RCW 82.04.050 includes within "sale at retail" services rendered in the construction of buildings or structures. Rule 203 states that each separately organized corporation is a "person," notwithstanding any identity of individuals within the corporations.

The Commission held that since there was no evidence of direct employment of the workmen by the corporation, the reimbursement for labor costs by the corporation was a "sale at retail." Transactions between a corporation and its stockholders or officers are as fully taxable as transactions between persons not so related.

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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