



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Reimbursements for Performance Bond Premiums

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

WAC 458-20-111 (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.

The costs of its performance bond are direct obligations of a building contractor. This obligation is incurred by taxpayer contractor in carrying on its construction business. Thus, funds received by the taxpayer contractor from his customer to cover the cost of the contractor's performance bonds are not exempt under Rule 111 and are includible in the gross receipts of the construction contract.

All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.

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