



Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3004.2009

Issue Date: February 2, 2009

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 includable in the gross receipts of the construction contract.

To request this document in an alternate format, visit <http://dor.wa.gov> and click on "contact us" or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

General tax information is available on our website at dor.wa.gov.

Questions? Complete the online form at dor.wa.gov/communications or call 800-647-7706. If you want a binding ruling from the Department, complete the form at dor.wa.gov/rulings.