

Bail bond agencies

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This bail bond agency guide to excise taxes was created to assist persons engaged in writing bail bonds to better understand applicable Washington State taxes.

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Common terms

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Bail bond agency: A business licensed under chapter [18.185 RCW](#) that sells and issues corporate surety bail bonds or that provides security in the form of personal or real property to ensure the appearance of a criminal defendant before the courts of this state or the United States.

Bail bond agent: A person licensed under chapter [18.185 RCW](#) who is employed by a bail bond agency and engages in the sale or issuance of bail bonds, but is not a clerical, secretarial, or other support person who does not participate in the sale or issuance of bail bonds.

Business and occupation (B&O) tax: B&O tax applies to the gross amount received from conducting business in Washington. There are different reporting classifications for various business activities such as retail sales, wholesale sales, and professional services. Each classification has its own tax rate.

Each business owes B&O tax on gross income resulting from its activities. Unlike an income tax that applies to net income, there are no deductions for labor, materials, taxes, rent, or other costs of doing business.

Collateral or security: Property of any kind given as security to obtain a bail bond.

Consumer: A consumer is any person who uses tangible personal property or receives services defined as retail sales. Such tangible personal property or services may be for personal use or conducting business activities. All sales of tangible personal property and retail services are presumed to be to a consumer. The seller has the duty to retain documentation showing that a sale is not at retail.

Gross amount: The term “gross amount,” which appears at the top of Column One on the Combined Excise Tax Return, is a “catch-all” term for whichever of the following terms is applicable to your business; “gross proceeds of sale,” or “gross income of the business.” The gross amount includes all consideration received without deductions for the costs of doing business or other expenses.

Business license: Persons wishing to register a business with one or more state agencies must complete a [Business License Application](#). Upon submitting a Business License Application the person receives a Unified Business Identifier (UBI) number. The person then receives a Business License to post at the business location.

Reseller permit: A seller must obtain a reseller permit from the buyer to document the wholesale nature of any sale.

Retail sales tax: Retail sales tax is a tax imposed on the buyer of goods and retail services. Sellers are responsible for collecting the tax from the consumer and remitting the tax to the Department of Revenue. The term “sales tax” refers to the combined state and local portion of the tax.

RCW: Revised Code of Washington (Washington statutes or “laws”).

UBI/Account ID: Sometimes called a registration number, tax number, “C” number, or resale number, the Unified Business Identifier (UBI) number is a nine-digit number used to identify registered businesses. The number is assigned when a person completes a Business License Application to register with or obtain a license from state agencies. The Departments of Revenue, Licensing, Employment Security, Labor & Industries and the Corporations Division of the Secretary of State are among the state agencies participating in the UBI program. In most cases, your UBI number will also be your DOR account ID. Spouses who file separately and corporations who file multiple accounts are assigned separate DOR account IDs as needed.

Use tax: Use tax is imposed on the acquisition of goods for consumer use in this state when the state’s retail sales tax has not been paid. With respect to the use of goods as a consumer, either sales tax or use tax applies, but not both. In this manner, use tax serves to complement the sales tax. Like the sales tax, the use tax is a combined state and local tax. Use tax rates and sales tax rates are the same.

WAC: Washington Administrative Code (administrative rules).

References:

[RCW 18.185.010](#)

[RCW 82.04.070](#)

[RCW 82.04.080](#)

[RCW 82.32.780](#)

[WAC 458-20-178](#)

B&O tax

B&O tax

Overview

The B&O tax is a gross receipts tax, assessed against an entity for conducting business in Washington. It applies to the gross income of the business. No deduction is allowed for labor, materials, taxes, or other costs of doing business.

The appropriate B&O tax classification depends on the nature of the business activity. Different tax classifications with different rates apply for various business activities. Businesses performing more than one activity may be subject to tax under one or more B&O tax classifications.

The state B&O tax is reported on the Department of Revenue’s excise tax return. The department assigns a reporting frequency for filing returns based on estimated yearly tax due and type of business. A business will be required to report on a monthly, quarterly, or annual basis.

Bail bond business

Income earned by bail bond agencies is generally subject to B&O tax under the Service and Other Activities classification and/or the Insurance Producers classification as described below.

Insurance Producers

Commissions from sales of insurance products under a license issued under title 48 RCW are subject to B&O tax

under the "Insurance Producers; Title Insurance Agents; Surplus Line Broker Commissions" classification. Sales of surety bonds are an example of income that is typically taxable under this classification. For additional information about the taxation of sales of insurance products, see [WAC 458-20-164](#).

Service and Other Activities

This B&O tax classification covers business income that does not require a license from the Office of the Insurance Commissioner to earn. Sales of property bonds are an example of income that is typically taxable under this classification.

A bail bond agency that provides both types of services above must segregate and report their income appropriately.

Other business

Retail Sales: Sales or rentals of tangible personal property to consumers are subject to B&O tax under the "retailing" classification. For more information about retail sales, see RCW 82.04.050 and RCW 82.04.250.

References

[RCW 82.04.220](#)

[RCW 82.04.260](#)

[RCW 82.04.280](#)

[RCW 82.04.290](#)

[WAC 458-20-224](#)

[Det No. 10-0192, 30 WTD 5 \(2011\)](#)

In addition to state B&O tax, some Washington cities impose a B&O tax. The Department of Revenue does not administer the city B&O taxes. Therefore, you must contact each [city or town](#) in which you conduct business for their specific tax reporting requirements.

Excluded expenses

Excluded expenses

There may be excluded from the measure of tax amounts representing money or credit received by a taxpayer as reimbursement of an advance in accordance with the regular and usual custom of his business or profession. The word "reimbursement" means money or credits received from a customer or client to repay the taxpayer for money or credits expended by the taxpayer in payment of costs or fees for the client. An excludable reimbursement applies only when the customer or client alone is liable for the payment of the fees or costs and when the taxpayer making the payment has no personal liability therefore, either primarily or secondarily, other than as agent for the customer or client.

References:

[WAC 458-20-111](#)

Non-excludable expenses

Non-excludable expenses

No charge which represents a reimbursement of a cost of doing business, even though such charge is made as a separate item, will be construed as a reimbursement. Therefore, charges for such things as transportation or traveling expenses are not excludable, but are part of gross sales or gross income of the business. Such charges are taxed in the same manner as the charges for the product or service provided, even if the charges are billed separately. In other words, if the charges are subject to B&O tax under the service and other activities classification, the associated expense is also taxable in that manner. Some common examples for bail bond agencies are:

- **Hiring Bail Bond Recovery Agents (Bounty Hunters):** Hiring a bail bond recovery agent is a cost of doing business and not deductible from gross income when calculating B&O tax.
- **Bail Bond Insurance:** Paying a premium to an insurer to insure against the risk of default on bail bonds posted by the agency is part of the agency's cost of doing business and not deductible from gross income when calculating B&O tax.
- **Agency Bond:** The purchase price of the surety bond insuring against breaches of fiduciary duty which is required by chapter 18.185 RCW is part of the agency's cost of doing business and not deductible from gross income when calculating B&O tax.

References:

[RCW 82.84.070](#)

[RCW 82.04.080](#)

[WAC 458-20-111](#)

Interstate sales - Apportionment

Interstate sales - Apportionment

Generally, income is attributed to where the customer is located. For more information, see our guides regarding Apportionment and [Out of state businesses reporting thresholds and nexus](#).

Retail sales tax/use tax

Retail sales tax/use tax

Retail sales tax/use tax

Retail sales tax must be collected on all retail sales and reported and remitted to the department. In addition to state retail sales tax, many local taxing jurisdictions impose local retail sales taxes. WAC 458-20-145 provides information about the sourcing of retail sales for local retail sales tax purposes.

All bail bond agencies are responsible for paying retail sales tax on goods used in their businesses, unless the goods are purchased for resale and a resale certificate or resellers permit is presented. The tax is paid directly to the retailer where items are purchased. Examples of goods used in the business of a bail bond agency on which retail sales tax would be due are furniture and office supplies.

Use tax is due when goods are acquired without paying Washington's retail sales tax. For example, use tax is due if you buy office supplies in Oregon for your business in Washington. You may report and pay use tax on the excise tax return or the [consumer use tax return](#). The use tax rate is the same as the retail sales tax rate and is determined by your location. The list of [local sales and use tax rates](#) contains current sales/use tax rates.

References:

[RCW 82.08.020](#)

[RCW 82.12.020](#)

Tax reporting requirements

Tax reporting requirements

A bail bond agent or subagent must register with the department if annual gross business income is greater than \$12,000. To register with the department you will need to complete a [Business License Application](#).

If gross business income is less than \$28,000 per year, your tax reporting account may be placed on active non-reporting (ANR) status, meaning you are no longer required to file tax returns. If your annual income is greater than \$28,000 you will not qualify for ANR status, but you may still qualify for a partial small business credit (SBC).

References:

[WAC 458-20-101](#)

[WAC 458-20-104](#)

Record keeping requirements

Record keeping requirements

All businesses must keep complete and accurate records from which the department may determine any tax for which the business may be liable. Such records must be preserved for a period of five years.

In general, records are to be kept, preserved, and presented upon request of the department which will demonstrate:

- The amount of gross receipts and sales from all sources, including barter or exchange transactions.
- The amount of all deductions, exemptions, or credits claimed through supporting documentation.

Such records may include general ledgers, sales journals, together with all bills, invoices, cash register tapes, or other documents or original entries supporting the books of account entries. The records should include all federal and state tax returns and reports and all schedules or work papers used in the preparation of tax reports or returns.

References:

[WAC 458-20-254](#)

The audit process

The audit process

Audits are a routine procedure used to determine whether state excise taxes have been reported and paid correctly. The majority of businesses audited by the Department of Revenue (DOR) are chosen using statistical methods.

The period of time covered by an audit is generally four years plus the current reporting period. An audit by the DOR generally includes a review of all of the following reported on the Combined Excise Tax Return:

- Income – verification of proper amounts and classifications reported on the return.
- Deductions and exemptions – verification of proper amounts, classifications and documentation.
- Purchases – verification of retail sales or use tax paid on capital assets and consumable supplies.

Records required during an audit include all of the following:

- Washington State Combined Excise Tax Returns and work papers.
- Federal income tax returns.
- Summary accounting records – check register, general ledger, sales journal, general journal, cash receipts journal and any other records you use to record income and expenses.
- Purchase invoices.
- Depreciation schedule along with purchase invoices for the assets.
- Reseller permits.
- Supporting documentation for all deductions and exemptions.

After the Audit

After a review of the business records, the auditor will explain any problems found and adjustments made. If you agree with the audit adjustments, the audit will be processed and a copy of all applicable schedules, laws and rules will be provided to you. It generally takes about four to six weeks to receive the final audit copy. If the audit results in additional taxes owed, taxpayers have 30 days from the date the audit was mailed to pay the tax and interest in full. Overpayments or credits are either refunded or credited against amounts due on future returns.

Taxpayers who disagree with any audit findings may request a meeting with the audit supervisor. If agreement cannot be reached at that time, you will be provided with information on audit appeals procedures. You have 30 days from the date the audit report is mailed to appeal the audit.

Referrals – other agencies to contact

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Bail bond agencies, and agents are required to register with various federal, state, and county agencies. The agency and reason for registration is listed below:

Agency	Reason for Registering with the Agency
Internal Revenue Service	Federal employee withholding Social security Medicare
Department of Licensing	Bail bond licensing
Employment Security Department	Unemployment insurance for employees
Department of Labor & Industries	Industrial insurance for employees
Secretary of State	Register corporation to incorporate
County Assessor	Real property taxes

In most cases, a fee is associated with registration and taxes or reports are required on a regular basis.

To locate the telephone number or address of the agency office nearest to you, please refer to your local telephone book in the Government section.

Completing and filing the [business license application](#) will take care of registration for the Department of Revenue's Business Licensing Service.

Services – provided by the Department of Revenue

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The Department of Revenue offers many services to make reporting your taxes as convenient as possible. The following list contains a sampling of the department's services.

Internet

Our website offers a wide variety of information and resources for your business:

- **[Electronic filing](#)**: File and pay taxes via the Internet.
- **[Business information update](#)**: You can notify us online if your business has moved, closed, or changed activities.
- **[Local offices](#)**: Find telephone numbers, office hours, and directions to a local office near you.
- **[Tax rate lookup tool \(GIS\)](#)**: Find the correct code and tax rate for specific locations.
- **[Publications and forms](#)**: Find our tax guides, fact sheets, reports, and forms.
- **[Laws and rules \(Taxpedia\)](#)**: Search our online database for Department of Revenue rules, laws, advisories, administrative decisions, and court cases through Taxpedia.
- **[Contact Us](#)**: You can ask a general tax question. You can generally expect a response within 10 working days.

Telephone and one-on-one assistance

Assistance in registering businesses, completing tax returns, and responding to questions can be requested by calling the Telephone Information Center at 360-705-6705 or by visiting your local Revenue office.

Taxpayer advocate

For assistance in understanding and accessing your rights in working with the Department of Revenue, call the Taxpayer Advocate at 360-705-6714.

Letter rulings

To receive a written letter ruling on a complex tax question, you must identify your business and include all pertinent facts surrounding the issue. Send your request to:

Interpretations & Technical Advice
Department of Revenue
PO Box 47453
Olympia, WA 98504-7453

You will generally receive a response within 10 business days. You may also fax your request to 360-705-6655 or Contact Us (see above) through our website.