

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3189.2018

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Taxability of Alarm Monitoring Services

Overview

This Excise Tax Advisory (“ETA”) addresses the taxability of alarm monitoring services. This ETA does not apply to other types of monitoring services, including credit, offender, personal emergency response, and information technology monitoring.

This ETA is effective beginning April 1, 2019. The Department will accept the prior reporting of a taxpayer if the taxpayer made a good faith effort to comply with its reporting requirements. The Department will not issue refunds for taxes validly paid.

This ETA supersedes any previous rulings or written reporting instructions provided to taxpayers that conflict with the guidance in this ETA.

What is alarm monitoring?

Generally, alarm monitoring involves people using computers, software, and telecommunications to monitor homes and businesses for break-ins, fires, and other similar, unexpected events. Alarm monitoring may involve a combination of automation and human effort. A typical example of alarm monitoring services may include the following steps:

- Specific hardware and software is first installed at the customer’s location. The installation is performed by the monitoring service provider or by a third party.
 - The hardware and software, when triggered by set criteria (such as a window being opened), send a signal to the alarm monitoring business.
 - The customer is then contacted by the alarm monitoring business according to the customer’s instructions.
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For purposes of this ETA, an alarm monitoring service provider includes one who:

- Sells alarm monitoring services directly to the end user, or
- Sells alarm monitoring services to a third party, who then resells the services to the end user.

As discussed below, alarm monitoring services are presumed to be digital automated services (“DAS”) under RCW 82.04.192(3).

**What is a
digital
automated
service
("DAS")?**

As defined in RCW 82.04.192, a digital automated service is “...any service transferred electronically that uses one or more software applications...”

This definition is broad, but also has numerous exclusions, one of which is for services that primarily involve the application of human effort by the seller, and the human effort originates after the customer requested the service.

The sale of a DAS to a consumer is a retail sale subject to the Retailing B&O tax, and upon which the retail sales tax must be collected and remitted.¹ When sold for resale, the sale of a DAS is subject to the Wholesaling B&O tax and retail sales tax is not collected.

**Presumption
that alarm
monitoring is a
digital
automated
service**

Sales of alarm monitoring services are presumed to be a DAS, as the service is transferred electronically and uses one or more software applications. As such, an alarm monitoring service provider must pay retailing B&O tax and collect and remit retail sales tax on sales of alarm monitoring services to consumers.²

**Overcoming the
presumption**

If a service provider believes that its alarm monitoring activity is excluded from a DAS by virtue of the primarily human effort exclusion, then the service provider must overcome the presumption using the time and cost factors analysis detailed in WAC 458-20-15503(303) *Digital products*.

Examples

The following examples identify a number of facts and then state a conclusion. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all the facts and circumstances.

Example 1:

¹ See also RCW 82.04.257, *Tax on digital products and services*.

² For guidance on the sourcing of such sales, see RCW 82.32.730; WAC 458-20-15503.

Facts:

- Acme Monitoring sells alarm monitoring services to Ace Security for resale to customers.
- Ace Security offers monthly and quarterly subscriptions for the monitoring services that it has subcontracted with Acme Monitoring to provide.

Result:

- Acme Monitoring is selling a DAS at wholesale to Ace Security.
 - Acme Monitoring should report its gross sales under the Wholesaling B&O tax classification, presuming it obtains a reseller permit from Ace Security to document the wholesale sale.
- Ace Security is providing alarm monitoring services (a DAS) at retail to consumers (i.e., homeowners).
 - Ace Security should report its gross income from the alarm monitoring services under the Retailing B&O tax classification and collect and remit retail sales tax on these charges.

Example 2:

Facts:

- Guard-my-Home, Inc. is an alarm monitoring company that provides alarm monitoring services to residential and commercial customers. Guard-my-Home, Inc. does not use third-party services.

Result:

- Guard-my-Home is providing alarm monitoring services at retail to consumers (i.e., homeowners and business owners).
 - Guard-my-Home should report its gross income from the alarm monitoring services under the Retailing B&O tax classification and collect and remit retail sales tax on these charges.
