

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3140.2009

Issue Date: February 2, 2009

Out-of-State Activities Related to Performance of Local Installation Contract

Are engineering services performed outside the state at the option of the contractor and equipment or materials purchased outside the state which are used in performing a construction and installation contract exempt from the business and occupation (B&O) tax?

Assume Engineering, Inc. contracts with the Federal Government to draw plans and specifications, construct, install, and test certain equipment for a military base in Washington. The plans and specifications were drawn up outside the state and purchases of some materials and equipment were also made outside the state.

The contract is local in nature because it calls for the installation and testing of equipment within the state. The contract does not specify where services be performed. Thus, any out-of-state purchases and services are not separable from the local incidents of the tax, the construction, installation, and testing of the equipment. The B&O Tax applies to the full contract price without apportionment and exclusion of any out-of-state activities.

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