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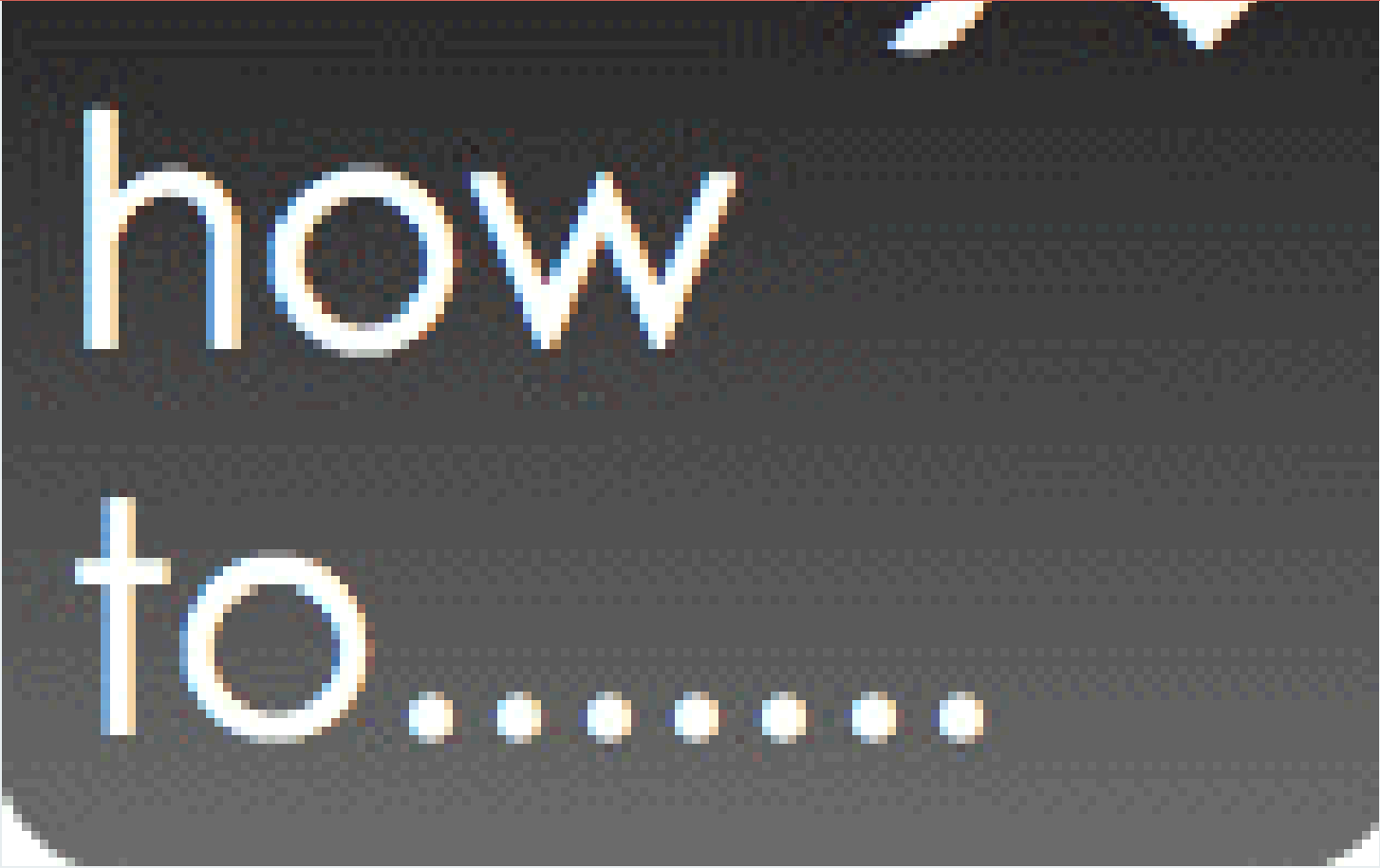
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Nov. 16, 2015

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how
to...

Are you planning to open a business but have been told to [post a sales tax bond](#)? No surprises here – sales tax bond are one of the most diverse and frequently-required types of surety bonds. For a first timer they may sound a little intimidating, but the truth of the matter is, you can quickly learn everything you need to know about them.

Why Tax Bonds Are Required

Sales tax bonds– or tax bonds as they are often called– are an umbrella name for a number of different tax bonds that state or local governments mandate from businesses, as a pre-licensing requirement. In these cases, a business license cannot be issued without a valid tax bond.

The tax bond acts as a protection to the government, making sure the bonded

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Most businesses can get a license just by posting the general sales tax bond, but for a few others there are special exceptions, such as businesses which sell alcohol, tobacco or fuels. Their required bonds are called the alcohol tax bond, cigarette tax bond and fuel tax bond, respectively, although they serve the very same purpose as the general tax bond.

How Tax Bonds Are Obtained

To get your tax bond, you must obtain a tax bond form from the body requiring you to post it. Since bonding companies do not work directly with the public, you should instead contact a surety agency to help you find the right bond.

Generally, an agency partnering with several well-reputed bonding companies is best, as they will send out your application to more places. Look for the words A-rated and T-listed – this guarantees your bond will not be rejected by the obligee (the body requiring the bond). In facts, some obligees will only tax accept bonds underwritten by an A-listed company.

How Much Tax Bonds Cost

To understand how tax bond prices are calculated, you need an understanding of [how surety bond rates are calculated](#). Obligees determine a total bond amount, which is listed on the bond. Let's take Texas, for example. The bond the state requires, known as [the Texas Continuous Bond of Seller](#), can be as high as \$100,000. This means the obligee can be compensated for up to \$100,000 if you have break the rules of the bond agreement. To get the bond you pay a percentage– between 1% and 17% of the total bond amount– called a premium.

The total bond amount for your tax bond will be determined by the government that requires it, based on your location and how much you make in sales. As for the

premium, it is mostly based on your credit score. If you have bad credit, or credit

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repay any claims, and that your business is unlikely to trigger a claim in the first place. If you have strong personal or business financial statements, you may provide a copy of them. If you have run this or another successful business for a number of years, this will also signal that you are trustworthy. A skilled surety professional will be able to use his expertise, and get you a tax bond at the lowest possible price no matter the circumstances.

The Significance of Tax Bond Claims

If you don't pay sales tax or declare your revenue in the timeframe provided by the state or local government, you can become the object of a claim.

Business owners are always advised to avoid claims. Claims on tax bonds can decrease your chances of renewing your tax bond, which will lead to the revocation of your business license. In the event of a dispute, document everything, and try and reach for a settlement if possible. Paying a claim can be much more costly—you can end up paying the full amount of the bond plus the legal expenses of the surety.

All things considered, tax bonds aren't all that complicated to understand. And once you obtain a tax bond, you don't have to worry about it as long as you abide by the agreement.

Todd Bryant is the president and founder of [Bryant Surety Bonds](#). He is a surety bonds expert with years of experience in helping business owners get bonded and start their business.

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