



State of Washington  
Department of Revenue

# Excise Tax Advisory

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Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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NUMBER: 023.12.136

CONVERSION DATE: July 1, 1998

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**This ETA is cancelled effective February 2, 2009 and reissued under the 3000 series.  
See ETA 3001 for a cross-reference to the new series.**

## USE TAX ON ARTICLES MANUFACTURED BY A PUBLIC ROAD CONTRACTOR

Issued July 1, 1966

Where a manufacturer-contractor applies skill and labor to manufactured goods beyond the normal manufacturing phase to meet construction contract specifications, does the Use Tax apply upon the value before or after the extra skill and labor are applied to the goods?

Taxpayer's business consisted primarily of the manufacture and sale of rolled steel bars. Taxpayer was hired under a public road contract to supply reinforcing steel bars, which were required to be cut and bent to meet the contract specifications. The cutting and bending were performed at the taxpayer's plant and the bars then taken to the construction site.

RCW 82.04.260 imposes a tax on all persons engaging in manufacturing, the measure of the tax being the value of the products so manufactured. RCW 82.04.120 defines "manufacture" to embrace "all activities of a commercial or industrial nature wherein labor or skill is applied" to produce a new or different article. A Use Tax is levied under RCW 82.12.020 on the use as a consumer of any article manufactured by the user. A contractor for a publicly owned street is a "consumer" under RCW 82.04.190.

The Commission held that the cutting and bending of steel rods done at taxpayer's plant to meet the road contract specifications fall within the definition of "to manufacture". As a public road contractor, taxpayer was a "consumer." Thus, the value of the product will be measured after the cutting and bending

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***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

Please direct comments to:  
Department of Revenue  
Legislation & Policy Division  
P O Box 47467  
Olympia, Washington 98504-7467  
(360) 753-4161 eta@DOR.wa.gov

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operation since this is part of the manufacturing process. Contractors who buy the rod and do their own cutting and bending off the job site would be similarly taxed.

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