



State of Washington
Department of Revenue

Excise Tax Advisory

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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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MANUFACTURING AND WHAT CONSTITUTES TAXABLE ACTIVITY

Issued July 1, 1966

Does the taxpayer's business activity of affixing hinges, guide wheels, and pivots to louvered door panels, for sale in pairs or sets along with the track in which such doors will glide as folding doors constitute manufacturing under our law?

Taxpayer purchased the doors from manufacturing firms. When the taxpayer received the doors at his plant, he affixed three hinges to each pair of doors plus guide wheels and pivots. The doors were then placed in cartons along with the tracks and were then ready for installation by the taxpayer's customers. The taxpayer contended that he was not liable for the manufacturing tax because his activity neither increased the value substantially nor caused a significant change in the article as it remained a door both before and subsequent to his activity.

Tax Commission holds that the question of whether manufacturing has occurred depends on whether a new, different or useful substance or article has been produced by the taxpayer's activity. RCW 82.04.110; RCW 82.04.120. The change in value of the product is not the controlling factor in determining whether a new, different, or useful substance has resulted although it is a factor to be considered. McDonnell v.State, 62 Wn. 2d 553.

Where, as in this instance, the taxpayer's principal reason for affixing the hardware is greater precision and accuracy and he has converted door suitable originally only for carpenters and builder into useful and salable consumer items, taxpayer's activity is held to be manufacturing of a new, different, or useful article and therefore subject to the manufacturing tax within the provisions of RCW 82.04.120

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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