



State of Washington
Department of Revenue

Excise Tax Advisory

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EXTRACTING TAX CLASSIFICATION IN REGARD TO LOGGING OPERATIONS

Issued July 15, 1966

Are all activities with respect to logs up to the time of their reaching the mill deemed to fall within the "Extracting" classification so that when performed for hire, all such activities should be classified as "Extracting for Hire"?

The taxpayer's business activities consisted entirely of the unloading of logs from an extractor's logging trucks on to flat cars at transfer points. This activity was carried out under the terms of a written contract with another logging company. The taxpayer contended that his operation of reload was essentially a "logging" operation and, therefore, was taxable under the "Extracting for Hire" classification and not under the Business and Occupation Tax classification "Service and Other Activities."

The Tax Commission rejected the taxpayer's basic contention that all activities with respect to logs up to the time of their reaching the mill should be deemed to fall within the "Extracting" classification, so that when performed for hire, all such activities should be classed as "Extracting for Hire." Under Rule 135, extracting operations are deemed to have ended for excise tax purposes when the logs begin transportation from the place of extracting (felling and bucking, etc.).

Therefore, the Tax Commission's position is that the transportation of logs from the place of cutting, the reloading of such logs on rail cars, and the rail transportation are all activities conducted subsequent to the completion of the extracting operations. The assessment of the tax under the "Service and Other Activities" classification was upheld.

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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