



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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NUMBER: 081.04.136: *Repealed June 17, 2000*

CONVERSION DATE: July 1, 1998

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## MANUFACTURING WHERE PLANT AND MATERIALS USED ARE OWNED BY ANOTHER

*Repealed June 17, 2000*

Where a plant and raw materials are owned by one company, does the operation of the plant by another company in converting the raw materials into finished products constitute processing for hire?

The taxpayer operated a manufacturing plant owned by another company. The taxpayer furnished the technical knowledge and labor necessary in converting raw materials furnished by the plant-owning company into a new finished product. The taxpayer took no part in the marketing of the finished product but restricted its activities to those usual to the manufacturing process. The taxpayer was reimbursed by the owner for the operating costs of the plant plus a small management fee.

Rule 136 provides that the performance of labor and mechanical services upon materials belonging to others in the production of a new, different, or useful article constitutes Processing For Hire. The taxpayer did convert the plant owner's materials into a new, different, or useful product. The taxpayer would have been a manufacturer if it had owned the materials itself. Therefore, it was taxable under the lower rates of the Processing For Hire classification rather than the Service classification of the Business and Occupation Tax.

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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.***

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