



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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CONVERSION DATE: July 1, 1998

**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.**

MANUFACTURING CONTAMINANT INCIDENTALLY USED FOR OTHER PURPOSES

Issued July 29, 1966

Does the Business Tax under the "Manufacturing" classification apply where a taxpayer in removing a contaminant, dangerous to his equipment, incidentally produces heat which he used in steam generation for his plant?

The taxpayer, a gas company, was assessed a Business Tax under the "Manufacturing" classification upon catalytic coke, a contaminant, which had to be removed in order to permit the proper performance of a platinum catalyst. The coke was burned off by the injection of oxygen, and in the course of this process, large quantities of heat were generated. The taxpayer had arranged his plant equipment in such a way that some portions of the heat generated by the process were put to use in generating steam required to operate the plant. The auditor's position was that the catalytic coke was a by-product formed during the refining process which was placed to the taxpayer's own industrial use for plant steam generation. The taxpayer contended that the catalytic coke was not a manufactured product and that it was not produced for sale or for commercial or industrial use. In effect, the taxpayer argued that steam generation was only an incident to the "burning out" process which was necessary to keep the equipment in operation and the only practical method of removing these contaminants.

The Tax Commission held that the contaminant, catalytic coke, which accumulated on the catalyst was not a manufactured product but was simply waste which had to be removed. The Commission said that the process involved in removing the waste was made to serve a second purpose but it held that this

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Please direct comments to:
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incidental use of the contaminant was not the production of it for industrial use of steam production by the taxpayer. Therefore, the taxpayer was not held liable for a tax under the Manufacturing classification.

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