



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 154.04.112

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.**

MEASURE OF MANUFACTURING TAX ON ARTICLES PRODUCED PARTLY WITHOUT AND PARTLY WITHIN THE STATE

Issued August 19, 1966

Where an article is first manufactured outside the state and then imported for further manufacturing, is the Manufacturing Tax liability measured by the gross value of the product completed within the state?

Taxpayer was engaged in various stages of producing aluminum. Alumina was manufactured outside the state and subjected to taxation in the state of manufacture. The completed alumina was then brought into Washington where it was reduced to aluminum. The Manufacturing Tax was assessed on the gross value of the finished product. Taxpayer argued that the tax base should have been allocated to exclude all values except those added by the manufacturing processes actually conducted within the state.

RCW 82.04.240 imposes the Manufacturing Tax on the "value of the products." This latter phrase is defined in RCW 82.04.450 as the gross proceeds derived from the sale of such products (with no deduction for expenses; RCW 82.04.070).

The Commission held that the only method provided by the statutes for measuring the tax is by gross value of the products at the time they are sold or transferred outside the state. The processing of alumina was "Manufacturing" within the definition of RCW 82.04.120 and the only measure of the tax provided in the statute is "value of the products." This is not a tax on the extraterritorial activities of the taxpayer because the tax on the manufacturing of the finished product was a tax on a purely local activity, although the

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Please direct comments to:
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measure of the tax included gross receipts from sales of the product. See Crown Zellerbach Corp. v. State, 53 Wn. 2d 813, and Reynolds Metals Co. v. State, 65 Wn. 2d 882.

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