



Excise Tax Advisory

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This ETA is cancelled effective December 29, 2006

DISTINCTION BETWEEN "MANUFACTURING" AND "ALTERING" ACTIVITIES

Issued September 9, 1966

What is the distinction to be observed in classifying certain activities as either "manufacturing" taxable under RCW 82.04.240 or "altering" tangible personal property taxable under RCW 82.04.050?

The taxpayer engaged in two activities involving the distinction between "manufacturing" in RCW 82.04.240 and "altering" in RCW 82.04.050. The first activity involved the dealing in monuments, head markers, etc., which the taxpayer sold and delivered to out-of-state customers at a total price which included cutting epitaphs in this state prior to delivery. The second endeavor involved the making of keys from blanks in this state, which when finished, were delivered to out-of-state customers.

The Tax Commission stated that the rule is that an activity is "repairing or altering" and not "manufacturing" if the result achieved does not consist in the making of a new article or giving the article a new use, but rather merely extends a utility already had by the product upon which the activity is being performed. Thus, the cutting of epitaphs on tombstones did not in itself constitute a manufacturing activity within the meaning of RCW 82.04.110 and RCW 82.04.120 and subsequent out-of-state sales were susceptible of an interstate exemption. However, in situations where such persons bought rough, unfinished rock and then shaped, ground, and polished it and also inscribed an epitaph, a distinct manufacturing activity had occurred. In effect, the results of the aforementioned combined activity was the creation of a "new, different, or useful article of tangible personal property."

As to the second activity, the Commission held that a person who made keys from blanks was "manufacturing" where he made the blanks himself from uncut metals or bought the blanks already cut. A

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blank key had no utility or use and making it into a key constituted the creation of a "new, different, or useful article." (Letter.)