



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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

CHEMICALS USED IN PROCESSING BY THE PULP INDUSTRY

Revised: July 1, 1992

This Excise Tax Bulletin explains the Department's position on sales and use tax of chemicals for use in the production of paper from wood pulp. This bulletin indicates a change in the Department's position for defoamers.

Pulp and paper manufacturers purchase various chemicals for use in preparing paper from wood pulp. Chemicals are added to the cooking liquor in the pulping or digesting process, other chemicals are used in bleaching the pulp, and chemicals are used to purify water for use in the manufacturing process.

RCW 82.04.050 excludes from "sale at retail" purchases of chemicals used in the manufacturing process "when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale." Articles purchased for use as an ingredient or component in producing for sale a new article of tangible personal property are also exempt from sales tax. There is sufficient evidence to establish that the chemicals used in the digesting and bleaching processes do react with cellulose, an ingredient of the finished product. This is the primary purpose for which the chemicals are purchased and the retail sales tax or use tax does not apply to purchases of these chemicals.

However, the primary use of the purified water is to act as a conveyor or carrier for pulp fibers during the processing, to act as a solvent for the other chemicals, and to avoid contamination of the pulp. Only a minor part of the water purified actually becomes a part of the finished product. The chemicals used in purifying water are purchased for consumption and the retail sales or use tax applies.

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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DEFOAMERS:

The Department recently reviewed its position with respect to sales or use tax on defoamers. The Department has concluded that retail sales or use tax does not apply to a pulp additive which is used as a pulp slurry deaerator or defoamer in pulp and paper manufacturing when the additive becomes a demonstrable ingredient of the manufactured product.