



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.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: 420.08.12.102/135

CONVERSION DATE: July 1, 1998

SEEDLINGS USED IN REFORESTATION PROGRAMS

Revised: December 31, 1992

This Excise Tax Bulletin explains the Department's position on retail sales and use taxes for seedlings purchased for reforestation programs. This is a clarification and not a change in the Department's position.

Many businesses engaged in the business of raising and harvesting timber purchase seedlings for use in their reforestation programs, with the intent to harvest and sell the resulting timber at its maturity. May seedlings be purchased without payment of retail sales tax?

The Department has concluded that purchases of seedlings for reforestation purposes do not qualify for retail sales tax exemption, and are purchases at retail.

RCW 82.04.050 excludes from the definition of a "sale at retail" or "retail sale" a sale to a person who:

[P]urchases for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property or substance, of which such property becomes an ingredient or component

Additionally, RCW 82.04.050 provides that:

The term [retail sale] shall not include . . . sales of feed, seed, seedlings, fertilizer, and spray materials . . . to persons for the purpose of producing for sale any agricultural product whatsoever . . . but only when such production and subsequent sale are exempt from tax under RCW 82.04.330.

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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RCW 82.04.330 provides exemption from the business and occupation tax to gross income from specified types of agricultural activities.

Once planted, the seedlings grow into trees and become part of the realty on which they grow. Because they become real property, they can no longer be considered tangible personal property held for resale. An exemption which applies to the production of articles of tangible personal property cannot apply to articles which become real property.

The section of RCW 82.04.050 addressing items used in producing agricultural products is contingent on qualification for the income exemption provided by RCW 82.04.330. RCW 82.04.330 specifically states that the exemption does not apply to persons taking, cultivating, or raising timber. Seedlings purchased for reforestation purposes do not qualify for exemption as items used in producing agricultural products.

If retail sales tax has not been paid to the vendor, the purchaser must remit use tax directly to the Department.