



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 They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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## TAXABILITY OF CORE DRILLING

Issued April 1, 1983

Are charges for core drilling work performed for consumers subject to retail sales tax when casing is not installed as part of the drilling activity?

In defining a "sale at retail" and "retail sale" RCW 82.04.050 provides:

The term "sale at retail" or "retail sale" shall include . . . b) . . . the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture . . .

Thus, the drilling of a hole for a consumer is a retail activity because earth is moved in the process of drilling. The retail nature of the activity is not influenced by casing or the lack thereof. Nor, is the retail nature of the activity influenced by the quantity of earth moved.

The Department has uniformly required collection of retail sales tax by drilling contractors on charges to consumers for drilling work requiring the installation of casing. It is recognized however, that to apply the retail sales tax to all past transactions not involving the installation of casing (such as some test hole drilling) would cause an undue hardship upon the industry. The Department therefore instructs all drilling contractors to report the gross income from all drilling activities performed for consumers under the Retailing classification and to collect retail sales tax on such jobs beginning June 1, 1983.

***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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