



# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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## Off-site Component Fabrication by Speculative Builders

When a contractor performs activities at a job site, those activities are part of the constructing and subject to the business and occupation (B&O) tax on that basis. However, if the contractor extracts, manufactures, or prefabricates items away from the job site and brings them to the job site for installation, they are engaged in manufacturing as well as constructing.

For example, assume JKL is a speculative builder. If JKL fabricates trusses, wall sections, and cabinets at the construction site, then that activity is considered part of the construction and not subject to manufacturing B&O tax. However, if JKL fabricates these items at its off-site facility and transports them to the job site for installation, JKL will be subject to manufacturing B&O on the value of the fabricated items.

Because JKL is a speculative builder, it is also the consumer of tangible personal property that becomes part of the building. If the raw materials are received at the job site and the trusses, wall sections, and cabinets are created there, then the use tax will be measured by the value of the raw materials. However, if these items are fabricated off-site, then the use tax will be measured by the value of the raw materials and the labor to create them.

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**All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.**

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