

# Manufacturing articles for commercial or industrial use

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You may need to manufacture special equipment that you then use to manufacture another product for sale. When you manufacture items for your own use (commercial or industrial use), taxes are applied unless you qualify for the manufacturer's sales/use tax exemption for machinery and equipment (M&E).

When you manufacture tangible personal property for your own use, you owe use tax on the value of that item. The value subject to tax is the selling price of similar products at comparable locations in Washington. If there are no sales of similar products to use as a guide, the value subject to tax is the total cost of the item manufactured. When you use this cost approach to determine the value, every cost attributable to manufacturing the item must be included, including direct and indirect overhead costs.

When filing your excise tax return you must report the value of the item under the Manufacturing business and occupation (B&O) tax classification in addition to use tax.

## References

WAC 458-20-136

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Manufacturer's sales/use tax exemption for machinery and equipment (M&E)



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