

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Chemicals Used in Processing by the Pulp Industry

Pulp and paper producers purchase various chemicals for use in manufacturing paper from wood pulp. Per RCW 82.04.050(1)(c), sales of chemicals to be used in the manufacturing process are not considered retail sales "when their primary purpose is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale." Articles sold for use as ingredients or components in producing a new article of tangible personal property for sale are also not retail sales. When purchasing these items, the pulp and paper producer should provide the seller with a resale certificate for purchases made before January 1, 2010, or a reseller permit for purchases made on or after January 1, 2010, to document the wholesale nature of the purchases as provided in WAC 458-20-102A (Resale certificates) and WAC 458-20-102 (Reseller permits). Even though resale certificates are no longer used after December 31, 2009, they must be kept on file by the seller for five years from the date of last use or December 31, 2014.

The following are examples of chemicals used by pulp and paper producers.

Chemicals used in the digesting and bleaching process: Chemicals used in the digesting and bleaching processes 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.

Chemicals used to purify water: 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 purified water, but not the chemicals, actually becomes a part of the finished product. Therefore, the chemicals used in purifying water are purchased for consumption and the retail sales or use tax applies.

Defoamers: Chemicals used to deaerate or defoam pulp slurry are exempt from retail sales or use tax only when the chemical becomes a necessary or desirable ingredient of the manufactured product.

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