

# Core drilling and soil sampling

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Core drilling charges are subject to business and occupation (B&O) tax under the service and other activities classification when:

- The business performs core drilling for the purpose of getting soil samples.
- The business uses the drilling samples for planning the construction of subsurface structures.

For tax purposes, the state considers the nature of the actual activity to classify the gross income, not the verbiage in a contract.

## How does core drilling and soil sampling relate to construction tax categories?

Core drilling and soil sampling can fall under any of the following constructions categories when they are associated with these activities:

- Custom construction.
- Speculative building.
- Public road construction.
- Government contracting.

If you perform core drilling or soil sampling **and** you also are responsible for construction activities, you need to tax the entire contract under the same tax classification as the construction activity. This happens regardless of whether or not you separately state the charges for core drilling or soil sampling.

## Business expenses subject to tax

A business that performs core drilling or soil sampling is the consumer of all materials, supplies, and equipment necessary to perform the service. This means that the business, as the consumer of any equipment and instruments, must pay sales tax or use tax on these items.

These businesses also owe sales or use tax on well casings when:

- The casings are used in a sampling or test well process.

- The casings are removed or abandoned when the sampling or testing is completed.

## References:

Industry guide: Construction

Guía de la industria: Construcción

WAC 458-20-172 : Clearing land, moving earth, cleaning, fumigating, razing, or moving existing buildings, and janitorial services.

WAC 458-20-170 : Constructing and repairing of new or existing buildings or other structures upon real property.



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