
Offsite Component Fabrication by Speculative Builders

Purpose

This Excise Tax Advisory (ETA) addresses the business and occupation (B&O) and use tax liabilities of speculative builders who fabricate components offsite for their building projects.

Tax Liability of Speculative Builders

Speculative builders may fabricate components for their construction project at a permanent, offsite location. This is a manufacturing activity by the speculative builder subject to the manufacturing B&O tax on the value of the fabricated components.

In addition, per WAC 458-20-170 *Constructing and repairing of new or existing buildings or other structures upon real property*, a speculative builder is the consumer of all tangible personal property that becomes part of the construction project. Use tax is due on the value of the finished fabricated items.

For more information on determining value, refer to WAC 458-20-112 *Value of products*.

Example

JKL is a speculative builder. If JKL fabricates trusses, wall sections, and cabinets at the construction site, that activity is part of the construction and is not subject to manufacturing B&O tax. As a speculative builder, JKL is the consumer of tangible personal property that becomes part of the building. JKL owes use tax on the raw materials if it had not previously paid retail sales tax on the materials.

However, if JKL fabricates these items at a permanent, offsite facility, and transports them to the job site for installation, JKL will be subject to manufacturing B&O tax and use tax on the value of the fabricated items as described in WAC 450-20-112.

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The measure of use tax due for the completed items may be reduced by the amount of retail sales tax previously paid on the materials.
