

Manufacturer's Application for Sales and Use Tax Deferral for Lessor Chapter 82.85 RCW

Effective Jan. 1, 2018.

Use this application if you are a lessor that owns the facility, are paying for the investment project, and are passing the economic benefit of the deferral to a lessee manufacturing at the project location. See complete instructions on page 7.

1 Business applying for manufacturer's deferral

Name:

Mailing address:

City:

State:

Zip:

Phone:

Tax reporting number (WA):

2 Contact person information

Name:

Mailing address:

City:

State:

Zip:

Phone:

Fax:

Email:

Please check one:

Lessee's business is new.

Lessee's business is expanding.

Lessee's business is renovating.

3 Location and site description of investment project

Important: This is the address and parcel number of the deferral project you are applying for on this form. If the address is unknown at the time of application, please provide as soon as the address is known. Your application will not be approved until you can provide a valid address for the deferral investment project.

All taxes will be due if your deferral project is at another location/address. Contact us if you have any questions.

County:

Address:

City:

State:

Zip:

Parcel number:

Site description (for example, new structure, expanding 1st floor, etc.):

4 Lessee information

Name of lessee:

Mailing address:

City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

Tax reporting number:

1. Do the lessee and lessor have 100% same ownership? Yes No
 If yes, please provide documentation to substantiate the relationship.

2. If the answer to question 1 is no, has the lessor agreed by written contract to pass the economic benefit of the deferral to the lessee? Yes No

(Please attach a completed Lessee's Application, if applicable, and a copy of the lease agreement reflecting the economic benefit of the deferred tax is passed onto the lessee by any type of payment, credit, or other financial arrangement between the lessor and qualified lessee.)

Please have the lessee sign the following statement. Failure to do so will prevent approval of the application.

Per RCW 82.32.834, I agree to file an annual tax performance report with the Department of Revenue each May 31st for eight years, beginning with the first calendar year after the calendar year in which the investment project is certified by the department as operationally complete. Failure to complete and submit the performance reports by their due date will result in portions of deferred tax becoming immediately due.

Printed name: _____ Title: _____

Signature: _____ Date: _____

5 Business activity to be conducted at this facility

If additional space is needed to answer question 3, please attach additional pages.

3. Describe the lessee's manufacturing activity at this facility:

4. Is the lessee currently paying manufacturing or processing for hire business & occupation tax on above described activity?

Yes No

5. If the answer to question 4 is no, is this a new manufacturing activity for the lessee's business?

Yes No

6 Estimated investment project costs

Please include only those costs that will be paid for by the applicant.

6. Structure:

Date building permit will be issued:

Construction of new structure(s):

Leasehold improvements paid for by applicant:

Expansion or renovation to expand floor space or production capacity:

Total structure costs:

7. Machinery & equipment:

Date equipment is to be installed:

Purchase price:

Lease contract price:

Fair market value of previously owned machinery and equipment that is new to the state of Washington:

Total machinery & equipment costs:

8. Total costs (structure & equipment):

9. Estimated completion date:

10. Estimated square footage created:

11. Provide the name(s) of the general contractor(s) to be used, if known.

7 Apportionment of structure

If the facility is used partly for manufacturing and partly for other purposes, the applicable tax deferral will be determined by apportioning the costs of construction.

(Not all of these categories qualify for the deferral.)

12. Percentage of facility devoted to (use whole numbers):

Area	Percentage
Accounting/payroll	%
Cafeteria	%
Common areas	%
Conference & training rooms	%
Customer service	%
Manufacturing	%
Offices used by direct line supervisors or other managers who oversee the manufacturing process	%
Reception area	%
Research & development	%
Sales & marketing	%
Warehouse	%
Other (please describe)	%

Total: %

8 Employment information

13. Average number of full time equivalents (FTEs) for previous calendar year.
(1820 annualized hours worked = 1 FTE)

Entire business:

At this facility:

14. Estimated number of new FTEs as a result of this project:

15. Estimated wages of new FTEs as a result of this project:

16. How will the lessee’s project generate jobs, both construction and/or manufacturing?

17. Provide the lessee’s average quarterly employment at the site for the prior two years (if applicable).

Tax year (Prior two tax years)	Quarter 1 Avg # of employees at the site.	Quarter 2 Avg # of employees at the site.	Quarter 3 Avg # of employees at the site.	Quarter 4 Avg # of employees at the site.

Estimate the following for new in-state jobs created by the project for each year through the year the project is estimated to be complete plus two additional years. (Add additional pages if necessary.)

18. By year, estimated construction jobs created, hours worked, wages and duration associated with those jobs.

19. By year, estimated manufacturing jobs created, hours worked, wages and duration associated with those jobs.

20. You and the lessee are responsible for reporting on job generation both for the construction phase and the operations phase. This will require you to collect site-specific employee related data from construction contractors and subcontractors. Included in the site-specific data for both the construction and operation phases are quarterly employee hours and wages. Provide a description of how you will collect site specific job related data:

9 Use of facility

All businesses must continue manufacturing at the site of the investment project until all deferred taxes are repaid.

If the manufacturing activity is not maintained, all or a portion of the deferred taxes outstanding for this investment will be immediately due. The department will assess interest at the rate provided for delinquent excise taxes, but not penalties, retroactively to the date of the deferral.

21. Does the lessee plan to operate this investment project in a qualified manner until the tax is repaid?

Yes No

22. If the answer to question 21 is “No”, how long does the lessee plan to operate this investment project with qualified use?

10 Buyer's sales and use tax preference addendum

Taxpayers using this deferral program are required to complete the Buyer's Sales and Use Tax Preference Addendum in E-file when filing their excise tax returns. The addendum is found on the main menu under "Tax Preference" (RCW 82.32.808).

11 Audit records location

If your application is approved, a deferral certificate will be issued using the estimates from your application. Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100% of the machinery and equipment are eligible for the deferral. The auditor may adjust the allowable deferral based on his or her findings. You will be billed for any purchases that do not qualify for the deferral and you did not pay tax at the time of purchase, plus applicable interest.

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meetings with the auditor:

- Purchase invoices (for example, accounts payable, receipts).
- Supporting documentation for the construction, such as construction contracts.
- Original Sales and Use Tax Deferral Certificate.

Although most audits can be completed with the above records, additional documents may be required during the audit.

Please complete the following information about the contact person and audit records location if this information is currently available:

23. Contact person:

24. Phone:

25. Location of audit records:

12 Statute of limitations

The schedule for the repayment of taxes deferred under this program on the purchase of goods or services is governed under the repayment provisions of RCW 82.85.060. With respect to any taxes you defer under this program, the statute of limitations period under RCW 82.32.050(4) does not commence until the close of the tax year in which you incur a tax liability to repay any of the taxes deferred. Thus, the statute of limitations period under RCW 82.32.050(4) will not begin to run until the Department of Revenue is aware of a failure to meet the requirements of the deferral.

I have read and understand the legal requirements described above.

13 Closing questions

How did you hear about deferrals?

14 Confidential Tax Information Authorization

Both the applicant and lessee listed on this application need to complete, sign and return a [Confidential Tax Information Authorization form](#) as part of the application process.

The form can be submitted as part of the application or emailed separately to DORdeferrals@dor.wa.gov.

15 Signatures

I certify under penalty of perjury under the laws of the State of Washington that the forgoing is true and correct.

Printed name:

Title:

Applicant's signature:

Date:

What to do next:

Mail, fax, or email to:

Department of Revenue Audit Division

Refund & Deferral Unit

PO Box 47474

Olympia, WA 98504-7474

Fax: 360-704-5648

Email: DORdeferrals@dor.wa.gov

Questions?

For questions about deferrals, please email DORDeferrals@dor.wa.gov or call our Deferral Program Lead at 360-534-1443.

General instructions

Program overview:

- Only two projects may be approved by the department each year.
- One project must be located in Eastern Washington and one must be located in Western Washington.
- Sales and Use taxes on the first ten million dollars in costs for qualifying buildings and machinery and equipment can qualify.
- A project is for qualified buildings and machinery and equipment.
- Deferred taxes must be repaid.
- Deferrals are available on a first-in-time basis.

Filing: This application must be submitted online, mailed, faxed, or emailed to the Washington State Department of Revenue. It must be submitted prior to the date a building permit is issued and/or prior to the acquisition of machinery and/or equipment within Washington state. Deferrals are available on a first-in-time basis.

Eligible investment projects means an investment in qualified buildings and/or qualified machinery and equipment on new, renovated, or expanded manufacturing operations. Only two projects may be approved by the department each year. The deferral applies to sales and use taxes on the first \$10,000,000 in qualifying costs for qualified buildings and machinery and equipment.

Investment project means an investment in qualified buildings and/or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

Qualified buildings means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for manufacturing.

Qualified machinery and equipment means all new industrial fixtures, equipment, and support facilities that are an integral and necessary part of a

manufacturing operation.

Manufacturing has the same meaning as provided in Revised Code of Washington (RCW) 82.04.120.

Operationally complete: The project is operationally complete when it is able to be used for its intended purpose. The taxpayer must notify the department once the project is operationally complete and begin submitting the annual tax performance reports.

Use and reporting requirements: All businesses must complete an annual tax performance report for the year the project is operationally complete plus seven additional years. It is due May 31st and is required every year during this eight-year period per RCW 82.32.534. In addition, **all businesses must continue manufacturing at the site until all deferred taxes are repaid. If the manufacturing activity is not maintained, all or a portion of the deferred taxes outstanding for this investment project will be immediately due.**

Buyer's Sales and Use Tax Preference Addendum: Taxpayers using this deferral program are required to complete the Buyer's Sales and Use Tax Preference Addendum in E-file when filing their Excise Tax Returns. The addendum is found on the main menu under "Tax Preference" (RCW 82.32.808).

Repayment of taxes: This deferral must be repaid. The deferred tax is repaid in ten equal payments beginning on December 31st of the fifth calendar year after the project is operationally complete, with the remaining payments due on December 31st for each of the following nine years.

Manufacturer's equipment exemption: Sales and use taxes often do not apply to machinery and equipment used in manufacturing operations. See the publication at dor.wa.gov titled [Manufacturer's Sales and Use Tax Exemption](#) for details. Machinery and equipment that qualifies under the exemption should not be included on the deferral application.

The below matrix is an example of the type of data that will be requested on future tax performance reports

1. On completion of construction:
 - a. UBI numbers for all firms directly involved in construction.
 - b. Hours, wages, and number of workers related to the construction (both general and subcontractors) for each quarter during construction. The applicant will be responsible for collecting this information and certifying its accuracy to the best of your ability.
2. First two years after start of operation of new/renovated/expanded facility:
 - a. UBI numbers for all firms with employees directly involved in manufacturing.
 - b. Hours, wages, and number of employees engaged in production work at the worksite. The applicant must certify the accuracy of the information to the best of your ability.

	Quarter	Total quarterly wages ¹	Total quarterly hours ²	Number of employees ³
Construction				
Production--all jobs created by the project⁴				
Production--all jobs at the worksite⁵				

Note: Worksite means the physical location of the qualified buildings or equipment. Project may include jobs such as architectural or company support services needed for the project that are not necessarily located at the worksite.

¹ Total quarterly wages is the sum of wages for all employees in the specified category.

² Total quarterly hours is the sum of hours worked by all employees in the specified category.

³ Number of employees is the sum of all employees in the specified category who worked at some point during the quarter.

⁴ Jobs are considered to be created by the project if at least ½ of the employee’s time is on work related to production involving the buildings or equipment and the work did not exist prior to the investment.

⁵ Jobs are at the worksite if at least ½ of the employee’s time is spent at the worksite. Worksite means the physical location of the qualified buildings or equipment.