

Tax Incentives Overview

GENERAL MANUFACTURING

Machinery and Equipment (M&E) Sales & Use Tax Exemption

Available to:

Manufacturers and processors for hire performing manufacturing and R&D. Testing operation for a manufacturer and processor for hire.

Qualifying Activity:

Purchase of qualifying machinery and equipment used directly for manufacturing, research and development, or testing operations.

Reporting/Documentation:

- Completion of Buyers' Retail Sales Tax Exemption Certificate or Manufacturers' Sales and Use Tax Exemption Certificate for vendor
- No application
- No Annual Survey/Report
- Electronic filing not required

Contact Information

Names and phone numbers are listed on our web site: dor.wa.gov. Under "Quick clicks" select "Tax incentive programs..."

You can also call us at **1-800-647-7706** during normal business hours.



RURAL COUNTY / COMMUNITY EMPOWERMENT ZONES

Rural County/Community Empowerment Zones (CEZ) Incentives (CEZ) Sales & Use Tax Deferral/Waiver

Available to:

Manufacturers, computer-related businesses, R&D laboratories, commercial testing facilities, and persons conditioning vegetable seeds in a rural county, a CEZ, or county with a CEZ.

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses.

Reporting/Documentation:

- Rural County Application for Sales & Use Tax Deferral must be filed before breaking ground on project
- Must maintain a qualified activity at the site for eight years after certified operationally complete
- Annual Survey filed by March 31 for eight years.
- Electronic filing not required

B&O Credit for New Employees in Software Programming & Manufacturing in Rural Counties

Available to:

Businesses that provide programming services or manufacture software.

Qualifying Activity:

Creating new employment positions.

Credit Amount:

\$1,000 per qualified position. A credit is earned for up to 5 years, if the position is maintained.

Reporting/Documentation:

- No application
- Annual letter/report filed by January 30
- Electronic filing not required

Rural County/CEZ Business and Occupation (B&O) Credit for New Employees

Available to:

Manufacturers, computer-related businesses, R&D laboratories, and commercial testing facilities located in rural counties or within a CEZ.

Qualifying Activity:

Creating new employment positions/increase instate employment by 15 percent.

Credit Amount:

- \$2,000 credit/position with annual wages/benefits of \$40,000 or less
- \$4,000 credit/position with wages/benefits of more than \$40,000 annually

Reporting/Documentation:

- Rural Area Application for B&O Tax Credit on New Employees must be filed within 90 days of filling the first qualified position
- Annual Letter/Report due by the last day of the month immediately following the end of the four consecutive full calendar quarter period for which a credit is earned
- Electronic filing not required

B&O Credit for Third Party Help Desk Services in Rural Counties

Available to:

Businesses that provide third party information technology help desk services.

Qualifying Activity:

Providing help desk services.

Credit Amount:

100 percent of B&O tax due from providing these services.

Reporting/Documentation:

- No application
- Annual letter/report filed by January 30
- Electronic filing not required

B&O Tax Exemption for Manufacturing Fresh Fruit and Vegetables, Dairy and Seafood Products

Available to:

Processors of fresh fruit and vegetables, dairy and seafood product manufacturers

Qualifying Activity:

Manufacturing fruits or vegetables by canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables or wholesale sells by the manufacturer when the goods are transported out-of-state by customer in normal course of business. Manufacturing of dairy and seafood products or wholesale sells by the manufacturer when goods are transported out of state by buyer in normal course of business.

Reporting/Documentation:

- No application
- Annual Survey filed by March 31
- Electronic filing of all documents required

Sales Tax Deferral/Waiver on Construction of Cold Storage & Certain Food Manufacturing/Processing Facilities

See information under "WAREHOUSES"

Remittance of State Sales Tax for Warehouses, Distribution Centers, Grain Elevators, Cold Storage

Available to:

Wholesalers or third-party warehouse owners who own or operate warehouses, grain elevators, and cold storage warehouses and retailers who own or operate distribution centers.

Qualifying Activity:

Sales tax paid on:

- Construction of a 200,000 square foot warehouse or distribution center or a grain elevator with a one million bushel capacity
- Construction or expansion of a cold storage warehouse by at least 25,000 square feet

Credit Amount:

A refund of all or part of the state's portion of sales tax paid on qualifying construction and material racking/handling equipment (state's portion 6.5 percent)

Reporting/Documentation:

- Application For Remittance filed each quarter with the Department
- No Annual Survey/Report
- Electronic filing not required

Sales Tax Deferral/Waiver on Construction of Cold Storage & Certain Food Manufacturing/Processing Facilities

Available to:

Manufacturers of dairy and seafood products, fresh fruit and vegetables processors, cold storage warehouse owners, and research and development activities performed by these businesses.

Qualifying Activity:

Construction or expansion of facilities and purchases of qualifying machinery and equipment. There is no minimum square footage requirement for this program.

Reporting/Documentation:

- Fruit and Vegetable Businesses Application For Sales and Use Tax Deferral must be received before building permit is issued.
- All businesses must maintain a qualified activity at the site for eight years after certified operationally complete.
- Annual Survey filed by March 31 for eight years
- Electronic filing of all documents required



B&O Credit for Preproduction Development Expenditures

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers.

Qualifying Activity:

Expenditures for aerospace product preproduction development.

Credit Amount:

Equal to amount of qualified expenditures multiplied by 1.5 percent.

Reporting/Documentation:

- No application
- Aerospace Credit Affidavit for Preproduction Spending must be filed each reporting period the credit is taken
- Annual Report filed by March 31
- Electronic filing required

Sales & Use Tax Exemption for Aerospace Manufacturers for Computer Hardware/Software/Peripherals

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers.

Qualifying Activity:

Purchases of computer hardware, software, and computer peripherals. Charges for labor and services related to the installation of such equipment.

Reporting/Documentation:

- Completion of Buyers' Retail Sales Tax Exemption Certificate for vendor
- No application
- No Annual Survey/Report
- Electronic filing required

B&O Credit for Property/Leasehold Taxes Paid on Aerospace Manufacturing Facilities

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers.

Qualifying Activity:

For Manufacturers: Payment of property/leasehold taxes on new buildings, land, the increased value of renovated buildings, and equipment eligible for the machinery and equipment (M&E) exemption that is used exclusively in manufacturing commercial airplanes or components of such airplanes; or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or components of such airplanes.

For Certificated FAR Part 145 Repair Stations and Aerospace Non-manufacturers:

Payment of property/leasehold taxes on new buildings, land, the increased value of renovated buildings, and qualifying computer equipment and peripherals used exclusively in aerospace product development or in providing aerospace services.

Reporting/Documentation:

- No application
- Annual Report filed by March 31
- Electronic filing required

Reduced Business and Occupation (B&O) Rate

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes, non-manufacturers engaged in the business of aerospace product development, certificated FAR repair stations making retail sales, and aerospace tooling manufacturers.

Qualifying Activity:

Manufacturers and Processors for Hire: Manufacturing and sales by the manufacturer, of commercial airplanes or component parts of commercial airplanes; or tooling especially designed for use in manufacturing commercial airplanes and component parts of commercial airplanes.

FAR Repair Stations: Retail sales made by certificated FAR part 145 repair stations.

Aerospace Non-Manufacturers: Aerospace product development for others.

Reporting/Documentation:

- No application
- Annual Report filed by March 31
- Electronic filing required



(Also see Aerospace Industry)

High Technology B&O Credit for R&D Spending

Available to:

Businesses conducting research and development (R&D) in the fields of:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

Qualifying Activity:

Qualified expenditures in research and development.

Reporting/Documentation:

- No application
- Annual Survey filed by March 31
- Electronic filing of all documents required

Biotechnology & Medical Device Manufacturing Sales & Use Tax Deferral/Waiver

Available to:

Biotechnology and medical device manufacturers.

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses.

Reporting/Documentation:

- Biotechnology Products and Medical Devices Application For Sales and Use Tax Deferral must be filed and approved before building permit is issued
- Maintain a qualified activity at the site for eight years after certified operationally complete
- Annual Survey filed by March 31 for eight years
- Electronic filing not required

High Technology Sales & Use Tax Deferral/Waiver

Available to:

Limited to businesses conducting R&D and pilot scale manufacturing in the fields of:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses.

Reporting/Documentation:

- High Technology Application For Sales and Use Tax Deferral must be filed before building permit is issued
- Maintain a qualified activity at the site for eight years after certified operationally complete
- Annual Survey filed by March 31 for eight years
- Electronic filing not required



BIOFUELS

Reduced B&O Tax Rate for Manufacturing Biodiesel/E85 Motor fuel, etc

Available to:

Manufacturers of E85 motor fuel, biodiesel, biodiesel feedstock, or wood biomass fuel.

Qualifying Activity:

Manufacturing E85 motor fuel, biodiesel, biodiesel feedstock, or wood biomass fuel.

Reporting/Documentation:

- No application
- No Annual Survey/Report
- Electronic filing not required

Property/Leasehold Tax Exemption for Manufacturers of Biodiesel/E85 Motor fuel, etc

Available to:

Manufacturers of E85 motor fuel, biodiesel, biodiesel feedstock, or wood biomass fuel.

Qualifying Activity:

Manufacturing E85 motor fuel, biodiesel, biodiesel feedstock, or wood biomass fuel.

Reporting/Documentation:

- Application for exemption must be made by November 1 to local county assessor
- No Annual Survey/Report
- Electronic filing not required

B&O Tax Deduction for Income received from Retail Sales and Distribution of Biofuels

Available to:

Retail sellers and distributors of biodiesel fuel and E85 motor fuel.

Qualifying Activity

Retail sales and distribution of biodiesel fuel and E85 motor fuel.

Reporting/Documentation:

- No application
- No Annual Survey/Report
- Electronic filing not required

Sales/Use Tax Exemption for Machinery/Equipment, Delivery Vehicles & Construction of Facilities for Retail Sales of Biofuels

Available to:

Retail sellers and distributors of biodiesel blend fuel or E85 motor fuel.

Qualifying Activity

Retail sales and distribution of biodiesel blend fuel or E85 motor fuel.

Reporting/Documentation:

- Buyer's Retail Sales Tax Exemption Certificate provided to vendor
- No application
- No Annual Survey/Report
- Electronic filing not required



OTHER INCENTIVES

Reduced B&O Tax Rate for Timber Extracting and Manufacturing

Available to:

- Timber extractors and extractors for hire
- Timber manufacturers and processors for hire
- Sales of standing timber

Qualifying Activity:

- Extracting timber or extracting timber for hire
- Manufacturing or processing for hire:
 - Timber into timber products or wood products; or timber products into other timber products or wood products
- Selling at wholesale:
 - Timber extracted by the seller
 - Timber products manufactured by the seller from timber or other timber products
 - Wood products manufactured by the seller from timber or timber products
 - Sales of standing timber apart of land (Buyer required to sever timber from land within 30 months)

Reporting/Documentation:

- No application required
- Annual Survey filed by March 31
- Electronic filing of all documents required

Main Street Tax Credit – B&O Tax/Public Utility Tax Credit

Available to:

All businesses that make qualified cash contributions.

Qualifying Activity:

- Contributions made to approved:
- Designated revitalization programs
 - Main Street Trust Fund

Credit Amount:

50 to 75 percent of contribution

Reporting/Documentation:

- Application through E-file required before making a contribution
- No Annual Survey/Report
- Electronic filing of all documents required

Commute Trip Reduction Program – B&O Tax/Public Utility Tax Credit

Available to:

Employers and property managers.

Qualifying Activity:

Employers and property managers who provide commute trip reduction incentives to or on behalf of their own or other employees.

Credit Amount:

50 percent of the amount paid to or on behalf of each employee. The credit may not exceed \$60 per employee.

Reporting/Documentation:

- Commute Trip Reduction Credit Annual Application required between January 1 and January 31 following year applicant made commute trip reduction incentive payments
- No Annual Survey/Report
- Electronic filing not required

Washington Customized Employment Training Program – B&O Tax Credit

Available to:

All Washington employers.

Qualifying Activity:

Payments to the Employment Training Finance Account through the Customized Employment Training Program for customized employee training.

Credit Amount:

50 percent of the costs of training

Reporting/Documentation:

- Application with the State Board of Community and Technical Colleges for training allowance
- Employment Credit Training Worksheet filed when claiming credit on return
- Annual survey filed by March 31
- Electronic filing not required

International Services – B&O Tax Credit for new employment

Available to:

Persons providing international services, such as computer; data processing; information; legal; accounting and tax preparation; engineering; architectural; business consulting; business management; public relations and advertising; surveying; geological consulting; real estate appraisal; or financial services in designated geographical areas.

Qualifying Activity:

Creating permanent full-time positions in international services located in a Community Empowerment Zone (CEZ) or designated International Services District. International services must be provided to persons domiciled outside the United States or be for use primarily outside this country.

Credit Amount:

\$3,000 per qualified position. A credit is earned for up to 5 years, if the position is maintained.

Reporting/Documentation:

- No application
- No Annual Survey/Report
- Electronic filing not required
- Maintain records necessary for the department to verify eligibility
- Employment records for the previous six years

<http://dor.wa.gov>

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