

WASHINGTON STATE DEPARTMENT OF REVENUE

Tax Incentives Overview

GENERAL MANUFACTURING

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

Available to:

Manufacturers and processors for hire performing manufacturing and research and development (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

RURAL COUNTY/COMMUNITY EMPOWERMENT ZONES

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

Available to:

Manufacturers, 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 annual wages/benefits of more than \$40,000

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

Purchases of Server Equipment and Power Infrastructure for use in Eligible Data Centers – Sales/ Use Tax Exemption

Available to:

Owner of an eligible data center in a rural county with a combined square footage of at least 100,000 square feet and tenants of an eligible data center. The data center must have a building permit to construct, renovate, or expand the data center issued between

- April 1, 2010 and June 30, 2011
- April 1, 2012 and June 30, 2015

Qualifying Activity:

Sales/use tax exemption on:

- purchases of eligible server equipment and labor to install in an eligible data center
- purchases of eligible power infrastructure, and labor and services to construct, install, repair, alter, or improve eligible power infrastructure

Reporting/Documentation:

- Submit Application for Sales Tax Exemption for Purchases by Data Centers prior to purchases of server equipment or power infrastructure
- The Department will issue a Certificate for Sales Tax Exemption for Purchases by Data Centers to qualifying businesses
- Annual Report due by April 30 of the following the year

Contact Information

Names and phone numbers are listed on our website: dor.wa.gov select **Tax incentive programs**.

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

HIGH UNEMPLOYMENT COUNTY/CEZ

High Unemployment County Sales/Use Tax Deferral/ Waiver for Manufacturing Facilities

Available to:

Manufacturers, persons conditioning vegetable seeds, research and development and commercial testing for manufacturers in a qualifying county or in a Community Empowerment Zone (CEZ). Qualifying counties are those counties with an unemployment rate at least 20 percent higher than the statewide rate based on a three year average published by the Employment Security Department.

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses.

Reporting/Documentation:

- High Unemployment County Application for Sales and Use Tax Deferral or a High Unemployment County Application for Sales and Use Tax Deferral for Lessor must be filed before a building permit is issued or business takes possession of machinery and equipment
- Maintain a qualified activity at the site of the investment project for eight years after certified operationally complete
- Annual Survey filed electronically by April 30 for eight years
- Electronic filing operationally complete

HIGH TECHNOLOGY

(Also see Aerospace Industry)

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 April 30 for eight years
- Electronic filing required

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

Available to:

Manufacturers of fresh fruit and vegetables, dairy products, and seafood products.

Fresh Fruit/Vegetables B&O Tax Exemptions:

- Manufacturing fruit or vegetable products 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.

Dairy Products B&O Tax Deductions:

- Manufacturing dairy products, or
- wholesale or retail sales by the dairy product manufacturer when the goods are transported out of state by the customer, or
- wholesale sales by the manufacturer to a customer who uses the products as an ingredient in the manufacturing of another dairy product in Washington.

Seafood Products B&O Tax Exemptions:

- Manufacturing seafood products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person, or
- wholesale or retail sales of seafood products that remain in a raw, raw frozen, or raw salted state to purchasers who transport in the ordinary course of business the goods out of this state.

Reporting/Documentation:

- No application
- Annual Survey filed by April 30
- Electronic filing required
- Expires July 1, 2015

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

Available to:

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

Qualifying Activity:

- Construction of a 200,000 square foot warehouse or distribution center or a grain elevator with a one million bushel capacity

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



Reduced B&O Tax 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 April 30
- Electronic filing 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 April 30
- 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

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 April 30
- Electronic filing required



Reduced B&O Tax Rate for Manufacturing Wood Biomass Fuel

Available to:

Manufacturers of wood biomass fuel.

Qualifying Activity:

Manufacturing wood biomass fuel.

Reporting/Documentation:

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

Property/Leasehold Tax Exemption for Manufacturers of Biodiesel/Alcohol Fuel, etc.

Available to:

Manufacturers of alcohol fuel, biodiesel fuel, biodiesel feedstock, or wood biomass fuel.

Qualifying Activity

Manufacturing alcohol fuel, biodiesel fuel, 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:

When calculating the B&O tax, a deduction may be claimed for amounts received from the retail sale or distribution of:

- Biodiesel fuel; or
- 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 of biodiesel fuel and E85 motor fuel.

Qualifying Activity:

Purchases of machinery/equipment or services to construct structures, including charges to install, repair, clean, decorate, or improve the structures or machinery/ equipment used directly for the retail sale of a biodiesel blend or E85 motor fuel.

Purchases of fuel delivery vehicles or charges to install, repair, clean, alter, or improve the vehicles including repair parts and replacement parts if at least 75 percent of the fuel distributed by the vehicles is a biodiesel blend 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



Manufacturers of Solar Energy System and Components of Solar Energy Systems – Reduced B&O Tax Rate

Available to:

Manufacturers, manufacturers that sell their product at wholesale, and processors for hire of solar energy systems and specified components of solar energy systems using photovoltaic modules or stirring converters.

Qualifying Activity:

Reduced B&O tax rate of 0.275 percent

Reporting/Documentation:

- No application required
- Annual report filed by April 30
- Electronic filing required

Machinery & Equipment Used to Generate Electricity Using Renewable Energy - Sales/Use Tax Exemption

Available to:

Anyone that generates electricity using fuel cells, sun, wind, biomass energy, tidal and wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas.

Qualifying Activity:

- Effective July 1, 2009 - June 30, 2013, purchases and installation of machinery and equipment that will be used directly in a facility that generates no more than ten kilowatts of electricity using solar energy are exempt from sales/use tax
- For all other eligible renewable energy sources capable of generating at least one kilowatt of electricity and solar systems greater than ten kilowatts, the exemption applies as follows:
 - From July 1, 2009 - June 30, 2011, the exemption is 100 percent of the sales or use tax

- From July 1, 2011 - June 30, 2013, the exemption is a refund from the Department of Revenue of 75 percent of sales/use tax paid. Buyer will need to pay sales tax to the seller, and then request a refund from the Department

Reporting/Documentation:

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

Energy Production Using Solar, Methane, & Wind Power - Renewable Energy System Cost Recovery Program

Available to:

Individuals, businesses, local government entities that are not in the light and power business or gas distribution business, and participants in a community solar project.

Qualifying Activity:

Except for a community solar project, participants must generate electricity on their own property with an anaerobic digester, wind generator, or solar energy system and apply to their light and power company for a payment based on kilowatt-hours (kWh) produced.

Reporting/Documentation:

- Interested persons should contact their light and power company and find out if the company participates in the program. Light and power companies are not required to participate
- Completion of Renewable Energy Cost Recovery Certification or Community Solar Project Renewable Energy Cost Recovery Certificate by participant
- Completion of Renewable Energy System Cost Recovery Annual Incentive Payment Application or Community Solar Project Renewable Energy System Cost Recovery Annual Incentive Payment Application due by participants to light and power business by August 1
- No Annual Survey/Report
- Electronic filing not required
- No incentive payments will be paid for kWh generated after June 30, 2020

Hog Fuel and Forest-Derived Biomass – B&O Tax Credit and Sales/Use Tax Exemption

Available to:

- B&O credit is available to harvesters of forest-derived biomass.
- Sales/use tax exemption is available on purchases of hog fuel. "Hog fuel" is defined as wood waste and other wood residuals including forest-derived biomass. Does not include firewood or wood pellets.

Qualifying Activity:

- B&O credit for harvesters of forest-derived biomass sold, transferred, or used for production of electricity, steam, heat, or biofuel. Expires June 30, 2015
- Sales and use tax exemption on purchases of hog fuel to produce electricity, steam, heat, or biofuel. Expires June 30, 2013.

Credit Amount:

B&O credit amount is based on harvested green ton of forest-derived biomass:

- Harvested July 1, 2010, through June 30, 2013:
 - \$3 per harvested green ton
- Harvested July 1, 2013, through June 30, 2015:
 - \$5 per harvested green ton

Reporting/Documentation:

- For sales tax exemption, completion of Buyers' Retail Sales Tax Exemption Certificate by purchaser of hog fuel for vendor.
- No application required
- 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
- Sellers 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 April 30
- Electronic filing 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 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 April 30
- Electronic filing 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>

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.