

Tax Incentives Overview

GENERAL MANUFACTURING

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

Available to:

Manufacturers, processors for hire, and manufacturers performing M&E, research and development (R&D), and testing operations

Qualifying Activity:

Purchase of qualifying machinery and equipment used directly for manufacturing or research

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

Washington State

Department of Revenue:

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Helpful links

General Tax Information

<http://dor.wa.gov>

Tax Incentives

<http://dor.wa.gov> click on "Find taxes and rates"

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 and commercial testing facilities located in rural counties, Community Empowerment Zones (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
- Annual Survey must be filed by March 31 of the following year
- 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:

Increase in-state employment by 15 percent

Reporting/Documentation:

- Rural County Application For B&O Tax Credit on New Employees must be filed before filling a position
- No Annual Survey/Report
- Electronic filing not required

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

Available to:

Businesses in rural counties that provide programming services or manufacture software

Qualifying Activity:

Creating new employment positions

Reporting/Documentation:

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

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

Available to:

Businesses in rural counties that provide third party information technology help desk services

Qualifying Activity:

Providing help desk services

Reporting/Documentation:

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

(Also see Aerospace Industry)

High Technology B&O Credit for R&D Spending

Available to:

Businesses conducting R&D in the fields of:

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

Qualifying Activity:

Research and Development

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- 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 Product Application For Sales & Use Tax Deferral must be filed and approved before building permit is issued
- Annual Report must be filed by March 31 of the following year
- 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 & Use Tax Deferral must be filed before building permit is issued
- Annual Survey must be filed by March 31 of the following year
- Electronic filing not required

B&O Tax Exemption for Food Processors

Available to:

Fresh fruit and vegetable processors and dairy products and seafood manufacturers

Qualifying Activity:

Manufacturing and wholesale sales of fresh fruit and vegetables, dairy products and seafood for transport outside the state

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Food Processors Sales & Use Tax Deferral/Waiver

(Effective July 1, 2007)

Available to:

Fresh fruit and vegetable processors and dairy products and seafood manufacturers; cold storage warehouse

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses

Reporting/Documentation:

- Fruit and Vegetable Business Application For Sales & Use Tax Deferral must be received before building permit is issued
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Sales/Use Tax Deferral/Waiver for Vegetable Seed Conditioning Facilities (Rural County Sales/Use Tax Deferral/Waiver)

Available to:

Persons conditioning vegetable seeds in a rural county, CEZ, or a 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
- Annual Survey must be filed by March 31 of the following year in which the project is certified and for the following seven years
- Electronic filing not required



Reduced Business and Occupation (B&O) Rate

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Manufacture, and sales by the manufacturer, of commercial airplanes or component parts of commercial airplanes

Reporting/Documentation:

- No application
- Annual Report must be filed by March 31 of the following year
- Reduced rate generally available only on tax returns filed electronically
- Electronic filing not otherwise required, but recommended

B&O Credit for Preproduction Development Expenditures

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Expenditures for aerospace preproduction development

Reporting/Documentation:

- No application
- An Affidavit must be filed each reporting period the credit is taken
- Annual Report must be filed by March 31 of the following year
- Electronic filing not required, but recommended

Reduced B&O Rate for Commercial Airline Repair Stations

Available to:

Persons certified by the Federal Aviation Administration (FAA) to perform repair and maintenance on commercial airplanes under FAR Part 145

Qualifying Activity:

Performing repair and maintenance on commercial airplanes

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents 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

Qualifying Activity:

Payment of property/leasehold taxes on new buildings, land, the increased value or renovated buildings, and equipment eligible for the machinery and equipment (M&E) exemption

Reporting/Documentation:

- No application
- Annual Report must be filed by March 31 of the following year
- Electronic filing not required, but recommended

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

Qualifying Activity:

Purchases of computer hardware, software and computer peripherals, and 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 not required

B&O Credit for Non-manufacturer Preproduction Development Expenditures

Available to:

Persons who develop, design, and engineer, but do not manufacture, commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Expenditures for aerospace preproduction development

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Sales & Use Tax Exemption for Aerospace Non-manufacturers for Computer Hardware/Software/Peripherals

Available to:

Persons who develop, design, and engineer, but do not manufacture, commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Purchases of computer hardware, software and computer peripherals, and 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 not required

Reduced B&O Rate & Property/Leasehold Tax Exemption for Biodiesel/E85 Motor Fuel Manufacturing

Available to:

Manufacturers of biodiesel fuel, biodiesel feedstock, and wood biomass fuel

Qualifying Activity:

Manufacturing qualifying fuel products

Reporting/Documentation:

- Certification that biofuel meets (ASTM) standard
- Application for property tax exemption made through county assessor
- Application for leasehold tax exemption made through Department of Revenue
- No Annual Survey/Report
- Electronic filing not required

B&O Tax Deduction for Retail Sales of Biofuels; Sales/Use Tax Exemption for Machinery/Equipment, Delivery Vehicles and Construction of Facilities for Retail Sale of Biofuels

Available to:

Retail sellers and distributors of biofuels

Qualifying Activity:

Retail sales and distribution of biofuels

Reporting/Documentation:

- Maintain certification that biofuel meets ASTM standard
- Completion of Buyers' Retail Sales Tax Exemption Certificate
- No application
- No Annual Survey/Report
- Electronic filing not required

Sales Tax* Remittance on Construction of Warehouses, Grain Elevators, and Distribution Centers

Available to:

Wholesalers, retail distribution centers, and third party warehouse businesses

Qualifying Activity:

Construction of 200,000 square feet or more warehouse, distribution center or one million bushel capacity grain elevators (effective July 1, 2007), and cold storage warehouse of 25,000 square feet.

Reporting/Documentation:

- Application for Remittance form must be filed
- No Annual Survey/Report
- Electronic filing not required

*State Portion

Reduced B&O Rate for Extracting/Manufacturing Timber and Wood Products

Available to:

Extractors, manufacturers, and processors for hire of timber products and wood products

Qualifying Activity:

Extracting, manufacturing, or processing for hire qualifying products. Sales of standing timber (effective July 1, 2007)

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Reduced B&O Rate for Solar Energy System Manufacturers & Wholesalers

Available to:

Manufacturers, processors for hire, and wholesalers of solar energy systems and silicon components

Qualifying Activity:

Manufacturing or wholesaling qualifying products

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing not required

B&O Tax Credit for Customized Employment Training

Available to:

All Washington employers

Qualifying Activity:

Payments to the Employment Training Finance Account through the Customized Employment Training Program

Reporting/Documentation:

- Employment Credit Training Work Sheet must be filed
- Application with State Board of Community and Technical Colleges
- Annual Survey must be filed by March 31, of the following year
- Electronic filing not required

B&O Tax Credit for International Service Providers

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 new jobs in these fields in the designated areas

Reporting/Documentation:

- Maintain employment records for six years
- No application
- No Annual Survey/Report
- Electronic filing not required

<http://dor.wa.gov>

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.

Teletype (TTY) users please call 1-800-451-7985.