Manufacturers' Sales/Use Tax Exemption

DEPARTMENT OF REVENUE
WASHINGTON STATE

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

Sales tax or use tax does not apply to:

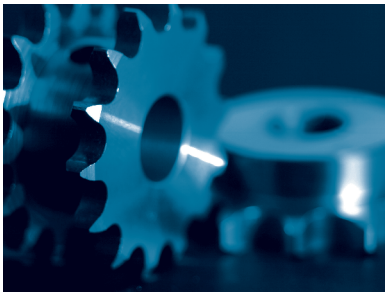
- Sales to a manufacturer or processor for hire of machinery and equipment used directly in a manufacturing operation or research and development operation.
- Sales to a person engaged in testing for a manufacturer or processor for hire of machinery and equipment used directly in a testing operation.
- Sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the qualifying machinery and equipment.
- Charges for repair parts for qualifying machinery and equipment if the parts have a useful life of at least one year.

A "manufacturing operation" means the manufacturing of articles, substances, or commodities for sale as tangible personal property.
The manufacturing operation begins at the point where the raw materials enter the manufacturing site and ends at the point where the finished product leaves the manufacturing site. The term also includes the portion of a cogeneration project used to generate power and steam for consumption within the manufacturing site when the cogeneration project is an integral part of the manufacturing operation.

"Testing" means activities performed to establish or determine the properties, qualities, and limitations of tangible personal property. A "testing operation" means the testing of tangible personal property for a manufacturer or processor for hire. A testing operation begins at the point where the tangible personal property enters the testing site and ends at the point where the tangible personal property leaves the testing site.

The research and development must be performed by a manufacturer or processor for hire. Research and development generally includes activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, techniques, formulas, inventions or software.

The term includes exploration of a new use for an existing drug, device or biological product, if the new use requires separate licensing by the Federal Food and Drug Administration under Chapter 21 CFR, as amended. (See RCW 82.63.010 for a full definition.)



"Machinery and equipment" means industrial fixtures, devices and support facilities, including pollution control equipment installed and used in manufacturing operation to prevent air or water pollution, or contamination that might otherwise result from the manufacturing operation. The term does not include hand-powered tools, items with a useful life of less than one year, buildings, and building fixtures that are not an integral part of the manufacturing operation.

No prior application to the Department of Revenue is required.

The purchaser must, however, provide the seller with an exemption certificate at the time of purchase. Both the seller and the purchaser must keep copies of the exemption certificate for five years.

LAWS AND RULES

A copy of the Manufacturer's Sales and Use Tax Exemption Certificate is provided for your convenience. Additional certificates may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985).

- Chapter 82.08.02565 Revised Code of Washington (RCW) - Exemptions - Sales of manufacturing machinery and equipment - Labor and services for installation
- Chapter 82.12.02565 RCW - Exemptions - Use of manufacturing machinery and equipment
- Washington Administrative Code (WAC) 458-20-13601 - Exemptions - Manufacturing Machinery and Equipment Sales and Use Tax Exemption

The Department of Revenue will, upon request, provide copies of the laws and administrative rules.

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MANUFACTURER'S SALES AND USE TAX EXEMPTION CERTIFICATE

Type of Certificate

☐ Single Use Certificate
☐ Blanket Certificate (must be renewed every four years)
Invalid after _____

1. Buyer/User UBI/Revenue Registration No. _____
2. Name of Buyer/User _____
3. Address of Buyer/User _____
   Street Address
   _____
   City, State, Zip Code
4. Name of Seller _____

The buyer/user certifies that it is engaged in manufacturing or processing for hire activities and that the items purchased will be used directly in a manufacturing or processing for hire operation. A single use certificate must be used each time an exempt item is purchased. **The seller must keep a copy of the certificate for his/her records.**

To be considered "used directly" in a manufacturing operation or research and development operation, the machinery and equipment must:

- Act upon or interact with an item of tangible personal property;
- Convey, transport, handle, or temporarily store an item of tangible personal property at the manufacturing site;
- Control, guide, measure, verify, align, regulate, or test tangible personal property;
- Provide physical support for or access to tangible personal property;
- Produce steam or mechanical power for, or lubricate machinery and equipment;
- Produce another item of tangible personal property for use in the manufacturing operation or research and development operation;
- Place tangible personal property in the container, package, or wrapping in which the tangible personal property is normally sold or transported;
- Be integral to research and development as defined in RCW 82.63.010; or
- Be for repair and replacement parts or repair and cleaning labor for eligible items.

The sales and use tax exemption does not include:

- Consumable items;
- Hand-powered tools;
- Property with a useful life of less than one year;
- Building fixtures that are not integral to the manufacturing operation that are permanently affixed to and become a physical part of a building. This includes utility systems for heating, ventilation, air conditioning, communications, plumbing, or electrical.

➢ ***This certificate is given with full knowledge of, and subject to, the legally prescribed penalties for fraud and tax evasion.***

Do not attach to the Combined Excise Tax Return.

Authorized Agent of Buyer/User (please print) _____
Authorized Signature _____ Title _____
Date _____

For tax assistance, visit http://dor.wa.gov or call (800) 647-7706. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users may call (800) 451-7985.

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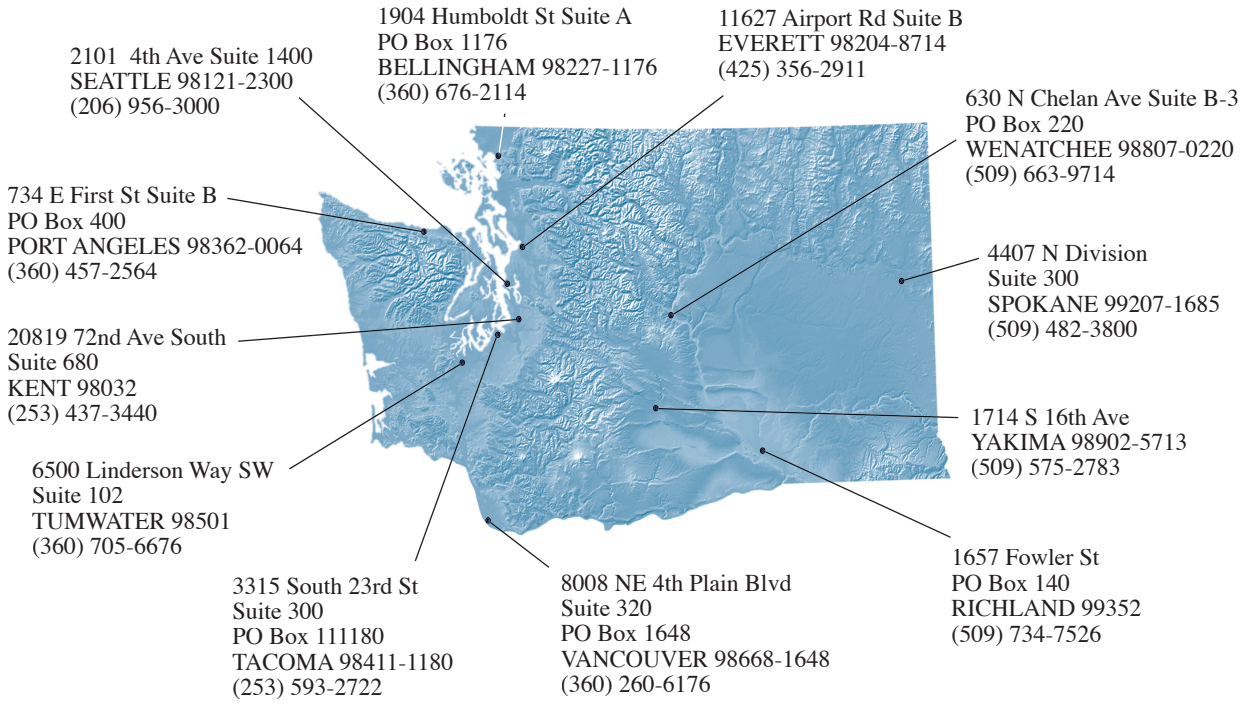
Department of Revenue Taxpayer Assistance

http://dor.wa.gov

Local Office Locations



Telephone Information Center
1-800-647-7706

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