

# High Technology Sales/Use Tax Deferral

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.

Businesses in the following research and development technology categories may be eligible for a sales/use tax deferral. To be eligible, they must start new research and development or pilot scale manufacturing operations, or expand or diversify a current operation by expanding, renovating or equipping an existing facility anywhere in Washington. The technology categories are:

- ◆ Advanced computing;
- ◆ Advanced materials;
- ◆ Biotechnology;
- ◆ Electronic device technology; and
- ◆ Environmental technology.

Qualified machinery and equipment means fixtures, equipment and support facilities that are an integral and a necessary part of pilot scale manufacturing or qualified research and development operation. This includes computers, software, data processing equipment, laboratory equipment, instrumentation, and other devices used in the process of experimentation to develop a new or improved pilot model, plant process, product, formula, invention or similar property.

Construction costs for a qualified leased building are eligible for the program, provided the benefit of the deferral is passed on to the qualified business in the form of reduced rent OR the underlying ownership of the building, machinery and equipment vests with the same person(s).



## REQUIREMENTS

**Applications must be filed with the Department of Revenue BEFORE construction begins or machinery and/or equipment is acquired.**

The investment project must be devoted to research and development or pilot scale manufacturing to qualify for the deferral. The investment must consist of machinery and equipment, new structures, and/or expansion or renovation to increase floor space or production capacity. The machinery and equipment may be used, but must be new to the state or business.

If a building is used partly for pilot scale manufacturing or qualified research, and partly for other purposes, the tax deferral will be apportioned on the basis of the cost of the area used for the qualified purposes.

## DEFERRED TAXES

Taxes are deferred under this program if the business uses the investment project for qualified research and development or pilot scale manufacturing during the year in which the investment is certified as operationally complete, and the next seven calendar years.

If the investment project is used for any other reason at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, the deferred taxes must be repaid immediately according to a prorated schedule. Interest will be assessed on the payments.

The sales or use taxes on machinery or equipment used in manufacturing that could have qualified for the Manufacturers' Sales/Use Tax Exemption at the time of purchase or first use do not have to be repaid.

## APPLICATION

A copy of the High Technology Application for Tax Deferral is provided in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985). You can also have the documents faxed by calling our Fast Fax system at (360) 786-6116 and requesting code number 811013, or downloaded from our web site at: [dor.wa.gov](http://dor.wa.gov).

A project that has received any sales/use tax deferral under this or any other deferral program is not eligible for further deferral under this program. A research and development facility can get additional deferral certificates to upgrade to pilot scale manufacturing. Businesses may have more than one project that may qualify for deferral under any of these programs.

The Department of Revenue must approve or deny applications within 60 days. If approved, a Tax Deferral Certificate is issued to the business to provide to vendors and contractors at the time of purchase. If denied, the business may appeal the decision to the Department's Appeals Division.

## USE OF THE DEFERRAL CERTIFICATE

The deferral certificate allows vendors and contractors to sell to approved businesses without charging retail sales tax. Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;

2. Qualified machinery and equipment; and

3. Labor and services rendered in the planning, installation and construction of the project.

The purpose of the Distressed Area Deferral program is to relieve manufacturing firms, undertaking qualified investment projects in eligible areas, of the obligation to pay tax on the retail construction services. However, it is not a comprehensive sale and use tax exemption. The deferral does not extend to prime construction contractors or subcontractors. It does not relieve contractors or subcontractors of their obligation to pay tax on the purchase or rental of tools, equipment, and supplies that are not incorporated into the final project, even though the ultimate cost of the tax is passed on to the person making the investment.

## AUDIT OF THE PROJECT

When 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 percent of the machinery and equipment are eligible for deferral. The auditor may adjust the allowable deferral based on his or her findings.

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

- ◆ Purchase invoices (i.e., accounts payable, receipts)
- ◆ Supporting documentation for the construction, such as construction contracts; and
- ◆ 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.



## High Technology Application For Sales and Use Tax Deferral 82.63 RCW

**Application must be mailed or faxed to the Washington State Department of Revenue prior to the date a building permit is issued and/or taking possession of machinery and equipment within Washington State. Instructions for completing this application, as well as explanations are located on page five of this form.**

Name, Address, and Phone Number of Business
Name: _____ _____
Address: _____ <span style="display: block; text-align: center; font-size: small;">Street Address</span> _____
<span style="display: block; text-align: center; font-size: small;">City, State and Zip Code</span> _____
Telephone No.: (    ) _____

Name, Address, and Phone Number of Contact Person <i>(All correspondence will be directed to this person)</i>
Name: _____ _____
Address: _____ <span style="display: block; text-align: center; font-size: small;">Street Address</span> _____
<span style="display: block; text-align: center; font-size: small;">City, State and Zip Code</span> _____
Telephone No.: (    ) _____

Department of Revenue Tax Reporting Acct. Number
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="font-size: 2em; margin: 0 5px;">-</div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="font-size: 2em; margin: 0 5px;">-</div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> <div style="border: 1px solid black; width: 25px; height: 25px; display: flex; align-items: center; justify-content: center;"> </div> </div>

Please check one:
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 80%;">Initiating a new operation .....</div> <div style="width: 15%; text-align: center;"><input type="checkbox"/></div> </div>
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 80%;">Expanding or diversifying a current operation .....</div> <div style="width: 15%; text-align: center;"><input type="checkbox"/></div> </div>

Location of Investment Project
County: _____
Address: _____ <span style="display: block; text-align: center; font-size: small;">Street Address</span> _____
<span style="display: block; text-align: center; font-size: small;">City, State and Zip Code</span> _____

Technology
<i>Check boxes that apply, and complete only the technology sections that pertain to the technologies you check. If more space is needed, please attach additional pages.</i>
I. Advanced Computing Technology ..... <input type="checkbox"/>
II. Advanced Materials Technology ..... <input type="checkbox"/>
III. Biotechnology ..... <input type="checkbox"/>
IV. Electronic Device Technology ..... <input type="checkbox"/>
V. Environmental Technology ..... <input type="checkbox"/>

I. Advanced Computing Technology
1. Check if the advanced computing research and development will be used in the designing and developing of:
Computer hardware..... <input type="checkbox"/>
Software ..... <input type="checkbox"/>
Computer peripherals..... <input type="checkbox"/>
2. Will software be licensed or sold to another person? <span style="float: right;">Yes    No</span>
<input type="checkbox"/> <span style="float: right;"><input type="checkbox"/></span>
3. Check where the software will be stored:
Your server..... <input type="checkbox"/>
The licensee's server..... <input type="checkbox"/>
Other ..... <input type="checkbox"/>

II. Advanced Materials Technology
4. Check which of the following you intend this research and development to result in:
A new advanced material ..... <input type="checkbox"/>
A substantially improved material..... <input type="checkbox"/>
5. Is this a material with engineered properties created through the development of specialized processing and synthesis technology? <span style="float: right;">Yes    No</span>
<input type="checkbox"/> <span style="float: right;"><input type="checkbox"/></span>

**III. Biotechnology**

6. Which area of biotechnology are you engaged in?

- Recombinant DNA techniques .....
- Biochemistry .....
- Molecular biology .....
- Cellular biology .....
- Genetic engineering .....
- Cell fusion techniques .....
- New bioprocesses .....
- Other bio-based technologies .....

7. Identify the living organism, or part of an organism utilized in your research and/or development activity:

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8. What is your intended result?

- Produce or modify products .....
- Improve plants or animals .....
- Develop microorganisms for specific uses .....
- Identify targets for small molecule pharmaceutical development .....
- Transform biological systems into useful processes, products, or specific uses .....

**IV. Electronic Device Technology**

9. Which area of electronic device technology are you engaged in?

- Microelectronics .....
- Semiconductors .....
- Electronic equipment .....
- Electronic instrumentation .....
- Radio frequency .....
- Microwave .....
- Millimeter electronics .....
- Optical (electronic) devices .....
- Optic-electrical devices .....
- Data communications .....
- Digital communications .....
- Imaging devices .....
- Other electronic device .....

**V. Environmental Technology**

10. Which area of environmental technology are you engaged in?

- Assessment and prevention of threats or damage to human health and environment, or environment .....
- Environmental cleanup .....
- Alternative energy sources .....

Yes    No

11. For environmental cleanup, is the corrective or remedial action to remove dangerous wastes and dangerous constituent .....

12. For alternative energy sources, identify the new energy source, or how an existing alternative energy source is improved:

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**TO BE COMPLETED BY ALL**

**Research & Development**

*Answer all questions that pertain to your research and development project. If additional space is needed, please attach additional pages.*

13. What is the intended end result for this research and development?

- Product .....
- Process .....
- Formula .....
- Software .....
- Invention .....
- Technique .....
- Other .....

If other, please explain: \_\_\_\_\_

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Yes    No

14. Is this technological information reasonably available to you in published scientific literature, or through industrial or scientific sources? .....

15. Is the research and development activity performed to discover new technological information? .....

Briefly describe: \_\_\_\_\_

**Research & Development (continued)**

16. How do you plan to protect your discovery?

Patent .....

Copyright .....

Other .....

Briefly describe: \_\_\_\_\_

\_\_\_\_\_

	Yes	No
17. Is this research and development for a new use for an existing technology?.....	<input type="checkbox"/>	<input type="checkbox"/>
18. Are there any changes made to the product other than a different use?.....	<input type="checkbox"/>	<input type="checkbox"/>
19. Is this a drug, device or biological product that requires licensing by the Federal Food and Drug Administration? .....	<input type="checkbox"/>	<input type="checkbox"/>
20. If the product is changed to adapt it to a new use, will you make substantial improvements to the product?.....	<input type="checkbox"/>	<input type="checkbox"/>
21. If you are making changes to an existing product, please explain your right to alter this product:		
Own the copyright or patent .....	<input type="checkbox"/>	
Exclusive purchase or license .....	<input type="checkbox"/>	
Non-exclusive purchase or license.....	<input type="checkbox"/>	
Other .....	<input type="checkbox"/>	
If other, please explain: _____		
_____		
_____		
22. Provide additional information to questions 14 - 21 that you think will be helpful in deciding whether to approve your application:		
_____		
_____		
_____		

**Pilot Scale Manufacturing**

*Please answer all questions that pertain to your pilot scale manufacturing activity. If additional space is needed, please attach additional pages.*

	Yes	No
23. Is the pilot scale manufacturing an extension of research and development that you have completed? .....	<input type="checkbox"/>	<input type="checkbox"/>
24. Will you be selling these test models?.....	<input type="checkbox"/>	<input type="checkbox"/>
25. Will the sales exceed \$1 million?.....	<input type="checkbox"/>	<input type="checkbox"/>

**Estimated Investment Project Costs**

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

26. Structure:

Will these construction costs be for:

New Structure .....

Expansion or renovation of existing structures to increase floor space or production capacity used for pilot scale manufacturing or qualified research and development.....

Other.....

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**..... \$

27. Machinery and Equipment that is used exclusively for pilot scale manufacturing or qualified research and development. Replacement equipment does not qualify under this program. Please do not include replacement equipment in the equipment costs listed below.

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** ..... \$

28. **Total Costs** ..... \$

29. Estimated completion date ..... / /

**Apportionment of Structure**

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

30. Percentage of facility devoted to:
- Accounting/Payroll..... %
  - Administration..... %
  - Cafeteria..... %
  - Common Areas..... %
  - Conference & Training Rooms..... %
  - Customer Service..... %
  - Manufacturing..... %
  - Pilot Scale Manufacturing..... %
  - Reception Area..... %
  - Research & Development..... %
  - Sales & Marketing..... %
  - Warehouse..... %
  - Other..... %
- Briefly describe: \_\_\_\_\_

**Total**..... 100 %

36. Estimated or Actual Number of New FTEs as a result of this project: \_\_\_\_\_
37. Estimated or actual average wages of employees related to the project. \_\_\_\_\_

**Use of Facility**

All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified as operationally complete, plus seven additional years.

- Yes      No
40. Do you plan to operate this investment project in a qualified manner for 8 years from the time the project is complete?.....
41. If the answer to question 40 is *No*, how long do you plan to operate this investment project with qualified use?  
\_\_\_\_\_

If the research and development 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.

**Audit of Investment Project**

If your application is approved, we will issue a deferral certificate using the estimates from your application. Upon completion of the project, an auditor will verify you are performing qualified activities at this facility. The auditor 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.

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

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

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

Please complete the following information if available:

42. Contact person: \_\_\_\_\_
43. Phone number of contact person: \_\_\_\_\_
44. Location of audit records: \_\_\_\_\_

**Lessee/Lessor Information**

- Yes      No
31. Will you lease the facility housing the operation?.....

Please answer questions 32 through 34 - only if you answered yes to question 31.

32. Name of individual or entity that is paying for construction of the building or improvements:  
\_\_\_\_\_

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

34. If the answer to question 33 is *No*, has the lessor agreed by written contract to pass the economic benefit of the deferral on to the lessee by any type of payment, credit, or other financial arrangement?.....
- (Please attach a completed Lessor's Application and a copy of the lease agreement that passes on the economic benefit of the deferral to the lessee by any type of payment, credit, or other financial arrangement.)*

**Employment Information**

35. Applicant's Average Number of Full Time Equivalents (FTEs) for Previous Calendar Year.  
(1820 annualized hours worked = 1 FTE):

Applicant's Entire Business in WA: \_\_\_\_\_

At This Facility: \_\_\_\_\_

*(continued in next column)*

## Annual Survey Requirement

By filing this application form, you agreed to complete and submit annual surveys due by March 31<sup>st</sup> of the year following the calendar year in which the investment project is certified as operationally complete, and the seven succeeding calendar years. RCW 82.63.020(2)(b). Failure to complete and submit annual surveys by their due date will result in portions of deferred tax becoming immediately due. RCW 82.63.045(2)(b).

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

\_\_\_\_\_  
*Applicant's Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Title*



## General Instructions

### High Technology Application for Sales and Use Tax Deferral (82.63 RCW)

#### **Filing:**

This application must be mailed or faxed to the Washington State Department of Revenue **prior to the date a building permit is issued** and/or taking possession of machinery and equipment within Washington State.

#### **Public Disclosure:**

Applications and other information received by the department under this chapter are not confidential and are subject to disclosure. Only non-proprietary information is required on this application.

#### **Eligible Investment Project:**

Eligible Investment Project means an investment project that (1) initiates a new operation or (2) expands or diversifies a current operation by expanding, renovating, or equipping an existing facility.

#### **Investment Project:**

Investment Project means an investment in qualified buildings or qualified machinery and equipment. This includes materials and labor and services (including labor and services rendered in the planning, installation and construction or improvement of the project).

#### **Qualified Buildings:**

Qualified Buildings means (1) construction of new structures, and (2) expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for pilot scale manufacturing or qualified research and development.

#### **Qualified Machinery and Equipment:**

Qualified Machinery and Equipment means fixtures, equipment, and support facilities that are an integral and necessary part of a pilot scale manufacturing or qualified research and development operation.

#### **Research and Development:**

Research and Development means activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, processes,

techniques, formulas, inventions, or software. The term includes exploration of new use for an existing drug, device, or biological product if the new use requires a separate licensing by the FDA under chapter 21. The term **does not include** adaptation or duplication of existing products where the products are not substantially improved by application of the technology, nor does the term include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

#### **Pilot Scale Manufacturing:**

Pilot scale manufacturing means design, construction, and testing of preproduction prototypes and models in the fields of biotechnology, advanced computing, electronic device technology, advanced materials, and environmental technology other than for commercial sale.

#### **Use Requirements:**

All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified operationally complete plus seven additional years. An annual employee survey due March 31 is also required for every year during the eight year period.

#### **Waiver of Taxes:**

If all program requirements have been met, the deferred sales/use tax is waived by the Department of Revenue.

#### **Mail or fax to:**

Department of Revenue  
Special Programs Division  
PO Box 47477  
Olympia, WA 98507-7477  
**FAX:** (360) 586-2163

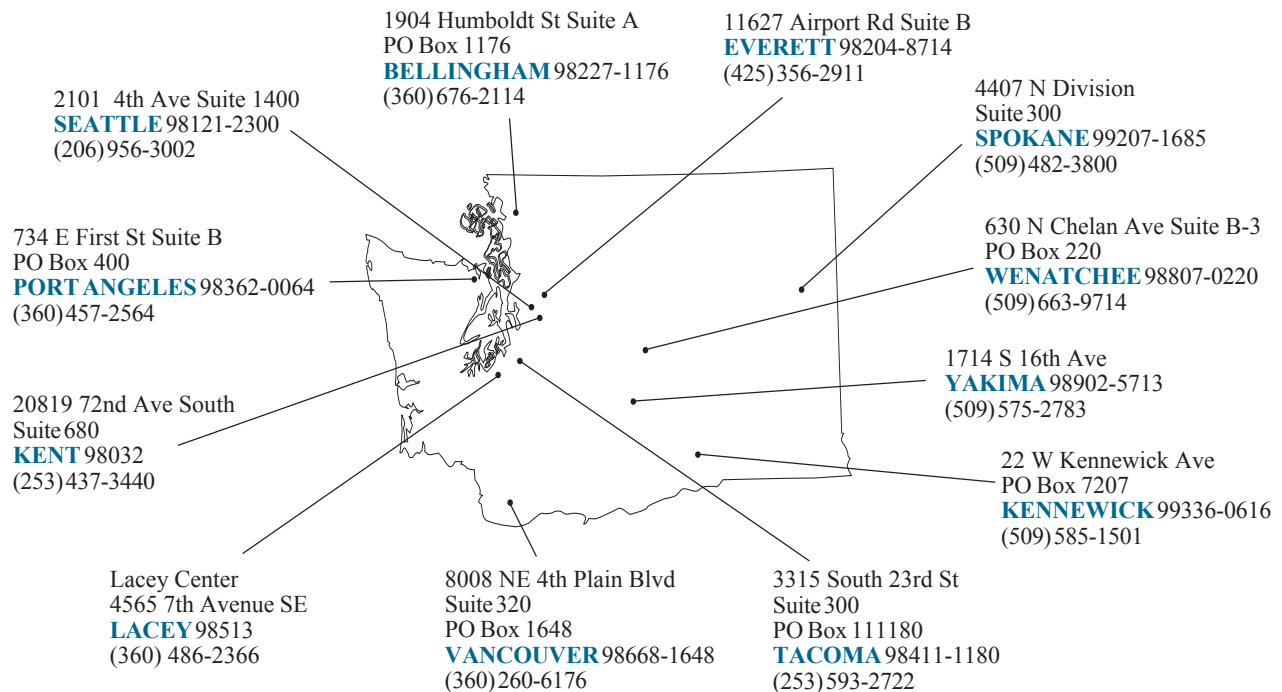
*For tax assistance visit <http://dor.wa.gov> or call 1-800-647-7706. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users may call 1-800-451-7985.*

# Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

## FIELD OFFICE LOCATIONS



## Telephone Information Center 1-800-647-7706

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342.  
Teletype (TTY) users, please call 1-800-451-7985.

Prepared by the Taxpayer Services Division



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