



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

AUG. 6, 2015

Seafood product manufacturers B&O tax exemptions extended – Change in filing requirements

The business and occupation (B&O) tax exemptions provided to seafood product manufacturers on certain manufacturing and selling activities has been extended through June 30, 2025 ([RCW 82.04.4269](#)).

To claim the tax preferences, manufacturers must report their gross income from seafood manufacturing activities and take a deduction for the exempt amounts effective July 1, 2015.

What the exemptions provide

RCW 82.04.4269 provides a B&O tax exemption for the following tax classifications and activities:

- Manufacturing B&O tax - the value of products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; and
- Wholesaling and retailing B&O tax - those seafood products that remain in a raw, raw frozen, or raw salted state manufactured and sold by the manufacturer at wholesale or retail to a customer that transports the product outside this state in the normal course of business.

These exemptions expire on July 1, 2025. When they expire, they will be replaced with a reduced B&O tax rate of 0.138 percent ([RCW 82.04.260 \(1\)](#)).

How to complete the excise tax return

Effective July 1, 2015, seafood manufacturers must report their income and take a deduction for the exempt amounts. There is no application required for claiming these exemptions. However, manufacturers are required to file all returns and surveys through the Department's E-file or My Account system.

- Income from manufacturing seafood products is reported under "Manufacturing of Seafood Products" B&O tax classification. A deduction should be claimed for the

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same amount under “Exempt Manufactured Products.”

- All wholesale sales should be reported under the Wholesaling B&O tax classification. A deduction may then be taken for the value of products manufactured and sold by the manufacturer at wholesale to a buyer that transports the product outside the state in the normal course of business. This deduction is claimed under “Dairy, Fresh Fruit/Vegetable, and Seafood Mfd Products for Transport Out of State.”
- All retail sales should be reported under the Retailing B&O tax classification. A deduction may then be taken for the value of products manufactured and sold by the manufacturer at retail to a buyer that transports the product outside the state in the normal course of business. This deduction is claimed under “Dairy and Seafood Mfd Products for Transport Out of State.”
- A deduction is allowed under the Wholesaling and the Retailing B&O tax classifications for products delivered to customers outside the state. The deduction is claimed under “Interstate and Foreign Sales.”
- Retail sales must also be reported under the Retail Sales tax section. Generally, sales of seafood products are exempt from sales tax under “Exempt Food Sales.” For more information, see [WAC 458-20-244](#).

If the business manufactures other products not eligible for the exemption, that income should be reported under the Manufacturing B&O tax classification or another manufacturing classification, if appropriate.

Documenting the exemptions for product transported outside the state by the buyer

A manufacturer taking a wholesale or retail exemption for product transported outside Washington by the buyer must keep and preserve records for up to five years. Those records must establish that the goods were transported by the purchaser in the ordinary course of business out of this state. A letter from the buyer stating this fact is adequate documentation. For wholesale sales, the buyer must also supply the seller with a copy of the buyer’s reseller permit.

Annual Tax Incentive Survey required

All businesses claiming the exemptions are required to electronically file an Annual Tax Incentive Survey by April 30th of the year following the year the exemption is claimed ([RCW 82.32.585](#)). For example, if you claim B&O tax exemptions in 2015, you must file an annual survey by April 30, 2016.

To file a survey, go to our website at dor.wa.gov and login to My Account. Once you’re logged in, click on Credits & Tax Incentives, then File Tax Incentive Survey/Report and complete the survey.

Failure to file Annual Tax Incentive Survey results in tax due

If you don't file the survey as required, you will be assessed B&O tax at the rate of 0.484 percent on the exemptions claimed under manufacturing and/or wholesaling. If you claimed deductions under retailing, you will be assessed B&O tax at the rate of 0.471 percent.

Need assistance

- Need help logging in to My Account, call 1-877-345-3353 or (360) 902-7079.
- Have general tax questions, call our Telephone Information Center at 1-800-647-7706.
- Have questions regarding the Annual Tax Incentive Survey, call (360) 902-7167.
- For bill information, see Engrossed Substitute Senate Bill ([ESSB 6057, Part II](#), Chapter 6, Laws of 2015).