



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JUNE 1, 2006

## Biotechnology Product & Medical Device Manufacturers - Tax Incentives

A sales and use tax deferral/waiver program is available for investments in construction or renovation of structures, or machinery and equipment used for biotechnology product or medical device manufacturing effective July 1, 2006. This program expires January 1, 2017. (SHB 2640, Chapter 178, Laws of 2006)

Applications for the deferral/waiver program must be **received and approved** by the Department of Revenue prior to starting construction. The applications will be available on our web site. **Unlike other deferral/waiver programs, a business cannot initiate construction prior to approval.**

We will approve or deny applications within 60 days of receipt. When an application is approved, we will issue a sales and use tax deferral certificate for state and local sales and use taxes. Certificates will not be issued for investment projects that have already received a deferral under the Rural County or High Tech Deferral programs. (RCW 82.60 & RCW 82.63)

### Important Definitions

“Biotechnology” means a technology based on the science of biology, microbiology, molecular biology, cellular biology, biochemistry, or biophysics, or any combination of these, and includes, but is not limited to, recombinant DNA techniques, genetics and genetic engineering, cell fusion techniques, and new bioprocesses, using living organisms, or parts of organisms.

“Medical device” is an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including any component, part, or accessory, that is designed or developed and:

- Recognized in the national formulary, or the United States pharmacopeia, or any supplement to them;
- Intended for use in the diagnosis of disease, or in the cure, mitigation, treatment, or prevention of disease or other conditions in human beings or other animals; or
- Intended to affect the structure or any function of the body of man or other animals, and does not achieve any of its primary intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its principal intended purposes.

“Eligible investment project” means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

The lessor or owner of a qualified building may be eligible for a deferral **provided:**

- Underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person; or
- Lessor by written contract agrees to pass the full amount of the economic benefit of the deferral to the lessee, and the lessee agrees in writing to complete the Annual Survey and maintain documentary evidence that this has taken place.

“Initiation of construction” is the date that a building permit is issued under the building code adopted under RCW 19.27.031. “Initiation of construction” does not include soil testing, site clearing and grading, site preparation, or any other related activities that are initiated before the issuance of a building permit for the construction of the building’s foundation.

“Qualified buildings” means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for biotechnology product manufacturing or medical device manufacturing activities, including:

- Plant offices;
- Commercial laboratories for process development;
- Quality assurance and quality control; and
- Warehouses or other facilities for the storage of raw material or finished goods if the facilities are an essential or an integral part of a factory, plant, or laboratory used for biotechnology product manufacturing or medical device manufacturing.

If a building is used partly for biotechnology product manufacturing or medical device manufacturing and partly for other purposes, the applicable tax deferral will be determined by apportionment of the construction costs under Department rules.

“Qualified machinery and equipment” means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a biotechnology product manufacturing or medical device manufacturing operation including:

- Computers
- Software
- Data processing equipment
- Laboratory equipment
- Manufacturing components such as belts, pulleys, shafts, and moving parts
- Molds, tools, and dies
- Operating structures
- Equipment used to control or operate the machinery

Eligible businesses must file an Annual Survey detailing employee information by May 31 following the year in which the investment project is operationally complete and/or audited and the following seven years. The project must remain an eligible investment project for an eight year period in order for all deferred taxes to be waived.

The Annual Survey is available on our web site at [dor.wa.gov](http://dor.wa.gov). If you have questions about the application, call Debi Brower at (360) 534-1443.