



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JUNE 3, 2008

Sales and Use Tax Deferral for Corporate Headquarters Located in Community Empowerment Zones

2SSB 6626, Chapter 15, Laws of 2008, establishes a new sales and use tax deferral on the construction of corporate headquarters located within a community empowerment zone (CEZ). This program is **effective July 1, 2009**.

Qualifications

Businesses **must meet all of the following requirements** to be eligible for the deferral:

- locate within a CEZ
- invest at least \$30 million in qualified buildings, tangible personal property, and fixtures, etc, including labor and planning
- employ at least 300 employees, each who must earn at least the annual average wage for the state for that year
- meet the definition of corporate headquarters as defined in 2SSB 6626

Deferral Application

To qualify for the deferral, a business must submit an application to the Department prior to completion of construction of a qualified building or buildings. However, costs incurred prior to the Department receiving the application may not be deferred. The Department must rule on the application within 60 days.

Eligible projects will receive a sales and use tax deferral certificate issued by the Department. The certificate will list beginning and ending dates, as well as the project costs to be deferred.

The number of eligible deferral projects is limited to two per biennium. The Department must approve applications on a first in basis. Only one certificate may be issued per CEZ per biennium.

Program Requirements

Eligible investment project

Deferred taxes need not be repaid if the investment project is used as an eligible investment project. The investment project must be used as a corporate headquarters the year the project is determined operationally complete, plus seven consecutive years. If the Department finds that the deferral project is used for purposes other than a corporate headquarters at any time during the deferral time schedule, all deferred taxes still owed are immediately due.

Qualified employment positions

The qualified employment positions must be filled by the end of the calendar year following the year the project is certified as operationally complete. If the qualified employment positions are not met by the end of the

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second year following the year the project is certified as operationally complete, all deferred taxes are immediately due.

Leased buildings

If the building or buildings are leased, the lessor must, by written contract, pass the economic benefit of the deferred tax onto the lessee by any type of payment, credit or other financial arrangement. The lessee must agree in writing to file the annual survey.

Annual Survey

An annual survey, which includes wage, employment, benefit, and other questions, is also required. The annual survey is due by May 31 of the year following the calendar year in which the investment project is determined operationally complete, plus the succeeding seven years. Failure to file the annual survey will result in 12.5% of the original deferral amount becoming immediately due.

Other Requirements

Businesses receiving the deferral benefit are required to file all annual surveys, reports, returns, or other information electronically. The Department may waive electronic filing requirements for demonstrating good cause.

If you have questions about this program, call Debi Brower at (360) 534-1443.