

**Manufacturer's Application for
Sales and Use Tax Deferral
Chapter 82.85 RCW
(Effective January 1, 2018)**

Program Overview:

- Only two projects may be approved by the department each year.
- One project must be located in Eastern Washington and one must be located in Western Washington.
- Sales and Use Tax on the first ten million dollars in costs for qualified buildings and machinery and equipment can qualify.
- A project is for qualified buildings and machinery and equipment.
- Deferred taxes must be repaid.
- Deferrals are available on a first-in-time basis.

Use this application if:

- You are the business that is paying for the investment project; or
- You are the lessee and will be paying for the building improvements and/or machinery and equipment.

General Instructions

Filing: This application must be mailed, faxed, or emailed to the Washington State Department of Revenue prior to the date a building permit is issued and/or prior to the acquisition of machinery and equipment within Washington State. Deferrals are available on a first-in-time basis.

Eligible Investment Projects means an investment in qualified buildings and qualified machinery and equipment on new, renovated, or expanded manufacturing operations. Only two projects may be approved by the department each year. The deferral applies to sales and use taxes on the first \$10,000,000 in qualifying costs for qualified buildings and machinery and equipment.

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.

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 manufacturing.

Qualified Machinery and Equipment means all new industrial fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing operation.

Manufacturing has the same meaning as provided in Revised Code of Washington (RCW) 82.04.120.

Operationally Complete: The project is operationally complete when it is able to be used for its intended purpose. The taxpayer must notify the Department once the project is operationally complete and begin submitting the annual tax performance reports.

Use and Reporting Requirements: All businesses must complete an annual tax performance report the year the project is operationally complete plus seven additional years. It is due May 31st and is required every year during this eight-year period per RCW 82.32.534. In addition: **All businesses must continue manufacturing at the site until all deferred taxes are repaid. If the manufacturing activity is not maintained, all or a portion of the deferred taxes outstanding for this investment project will be immediately due.**

Buyer's Sales and Use Tax Preference Addendum: Taxpayers using this deferral program are required to complete the Buyer's Sales and Use Tax Preference Addendum in E-file when filing their Excise Tax Returns. The addendum is found on the main menu under "Tax Preference." (RCW 82.32.808)

Repayment of Taxes: This deferral must be repaid. The deferred tax is repaid in ten equal payments beginning on December 31st of the fifth calendar year after the project is operationally complete, with the remaining payments due on December 31st for each of the following nine years.

Manufacturer's Equipment Exemption: Sales and Use Taxes often do not apply to machinery and equipment used in manufacturing operations. See the publication at dor.wa.gov titled Manufacturer's Sales and Use Tax Exemption for details. Equipment that qualifies under the exemption should not be included on the deferral application.

Mail, Fax, or Email To:

Department of Revenue
Audit Division, Refund &
Deferral Unit
PO Box 47474
Olympia, WA 98504-7474

Fax: (360) 704-5648

Email: DORdeferrals@dor.wa.gov

Questions? Call (360) 534-1503 option 6.

Business Applying for Manufacturer's Deferral
Name: _____
Address: _____ <i>(Street Address)</i>

<i>(City, State, and Zip Code)</i>
Telephone No: _____
Tax Reporting Number (WA) : _____

Contact Person Information
<i>(All correspondence will be directed to this person)</i>
Name: _____
Mailing Address: _____
<i>(Address)</i>

<i>(City, State, and Zip Code)</i>
Telephone No: _____
Fax Number: _____
Email Address: _____

Please Check One:
Business is New <input type="checkbox"/>
Business is Expanding <input type="checkbox"/>
Business is Renovating <input type="checkbox"/>

Location and Site Description of Investment Project
County _____
Address: _____
<i>(Street Address)</i>

<i>(City, State and Zip Code)</i>
Parcel No: _____
Site Description (i.e. new structure, expanding 1 st floor, etc):

Business Activity to be Conducted at this Facility
<i>If additional space is needed to answer question 1, please attach additional pages.</i>
1. Describe your manufacturing activity at this facility:
2. Are you currently paying manufacturing or processing for hire business & occupation tax on above described activity? Yes <input type="checkbox"/> No <input type="checkbox"/>
3. If the answer to question 2 is "No", is this a new manufacturing activity for your business? Yes <input type="checkbox"/> No <input type="checkbox"/>

Lessee/Lessor Information
4. Will you lease the facility housing the operation? Yes <input type="checkbox"/> No <input type="checkbox"/>
<i>Please answer 5 through 8 only if you answered "Yes" to question 4.</i>
5. Name of business or entity that is paying for construction of the building or improvements:

6. Name of business or entity that will be manufacturing at this location:

7. Department of Revenue Tax Reporting Number for Business in question 6:

8. Is the entity named in question 6 different than the applicant name Yes <input type="checkbox"/> No <input type="checkbox"/>
<i>If the answer to question 8 is "Yes", please have entity named in question 6 complete the Manufacturer's Sales and Use Tax Deferral Application for Lessor.</i>

Estimated Investment Project Costs

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

9. **Structure:**

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:

10. **Machinery & Equipment:**

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:

11. **Total Costs (Structure & Equipment):**

12. **Estimated Completion Date:** _____

13. **Estimated Square Footage Created:** _____

14. **Provide the name(s) of the general contractor(s) to be used, if known.**

Apportionment of Structure

If the facility is used partly for manufacturing and partly for other purposes, the applicable tax deferral shall be determined by apportioning the costs of construction. (Not all of these categories qualify for the deferral.)

15. Percentage of facility devoted to:

(Use whole numbers)

Accounting/Payroll _____ %

Cafeteria _____ %

Common Areas _____ %

Conference & Training Rooms _____ %

Customer Service _____ %

Manufacturing _____ %

Offices used by direct line supervisors or other managers who oversee the manufacturing process _____ %

Reception Area _____ %

Research & Development _____ %

Sales & Marketing _____ %

Warehouse _____ %

Other (please describe) _____ %

Total 100 %

Employment Information

16. Average Number of Full Time Equivalents (FTEs) for Previous Calendar Year.

(1820 annualized hours worked = 1 FTE):

Entire Business: _____

At This Facility: _____

17. Estimated Number of New FTEs as a result of this project: _____

18. Estimated Wages of New FTEs as a result of this project: \$ _____

19. How will this project generate jobs, both construction and/or manufacturing?

20. Provide the average quarterly employment at the site for the prior two years. (If applicable)

<u>Tax Year</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
(Prior Two Tax Years)	Avg # of Employees at the site.	Avg # of Employees at the site.	Avg # of Employees at the site.	Avg # of Employees at the site.

Estimate the following for new in-state jobs created by the project for each year through the year the project is estimated to be complete plus two additional years: (Add additional pages if necessary for questions 21-23.)

21. By year, estimated construction jobs created, hours worked, wages and duration associated with those jobs.

22. By year, estimated manufacturing jobs created, hours worked, wages and duration associated with those jobs.

23. You are responsible for reporting on job generation both for the construction phase and the operations phase. This will require you to collect site-specific employee related data from construction contractors and subcontractors. Included in the site-specific data for both the construction and operation phases are quarterly employee hours and wages. Provide a description of how you will collect site specific job related data:

Use of Facility

All businesses must continue manufacturing at the site of the investment project until all deferred taxes are repaid.

If the manufacturing 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.

24. Do you plan to manufacture at this investment project site until the tax is repaid? Yes No

25. If the answer to question 24 is "No," how long do you plan to manufacture at this investment project site?

Annual Tax Performance Report and Manufacturing Use Requirement

By filing this application form, you agreed to complete and submit annual tax performance reports due by May 31st of the year following the calendar year in which the investment project is certified as operationally complete, and the seven succeeding calendar years. Failure to complete and submit the reports by their due date or discontinuing manufacturing use will result in portions or the remaining amount of deferred tax becoming immediately due.
RCW 82.32.534.

Buyer's Sales and Use Tax Preference Addendum

Taxpayers using this deferral program are required to complete the Buyer's Sales and Use Tax Preference Addendum in E-file when filing their excise tax returns. The addendum is found on the main menu under "Tax Preference". (RCW 82.32.808.)

Audit Records Location

If 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% 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 inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meetings with the auditor:

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

Please complete the following information about the contact person and audit records location if this information is currently available:

26. Contact person:

27. Telephone number of contact person:

28. Location of audit records:

Signatures

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

Applicant's Signature

Printed Name

Date

Applicant's Title

For tax assistance or to request this document in an alternate format please call 1-800-647-7706. Teletype (TTY) users may use the Washington State Relay Service by calling 711.

The below matrix is an example of the type of data that will be requested on future tax performance reports.

1. On completion of construction.
 - a. UBI numbers for all firms directly involved in construction
 - b. Hours, wages, and number of workers related to the construction (both general and subcontractors) for each quarter during construction. The applicant will be responsible for collecting this information and certifying its accuracy to the best of your ability.
2. First two years after start of operation of new/renovated/expanded facility:
 - a. UBI numbers for all firms with employees directly involved in manufacturing
 - b. Hours, wages, and number of employees engaged in production work at the worksite. The applicant must certify the accuracy of the information to the best of your ability.

	Quarter	Total Quarterly Wages ¹	Total Quarterly Hours ²	Number of employees ³
Construction				
Production – all jobs created by the project ⁴				
Production – all jobs at the worksite ⁵				

Note: “Worksite” means the physical location of the qualified buildings or equipment. “Project” may include jobs such as architectural or company support services needed for the project that are not necessarily located at the worksite.

¹ Total quarterly wages is the sum of wages for all employees in the specified category.

² Total quarterly hours is the sum of hours worked by all employees in the specified category.

³ Number of employees is the sum of all employees in the specified category who worked at some point during the quarter.

⁴ Jobs are considered to be created by the project if at least ½ of the employee’s time is on work related to production involving the buildings or equipment and the work did not exist prior to the investment.

⁵ Jobs are at the worksite if at least ½ of the employee’s time is spent at the worksite.

Worksite means the physical location of the qualified buildings or equipment.