

Manufacturer's Application for Sales and Use Tax Deferral for Lessor

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 Taxes on the first ten million dollars in costs for qualifying 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 a lessor that owns the facility, are paying for the investment project, and are passing the economic benefit of the deferral to a lessee manufacturing at the project location.

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. Machinery and 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 Activity to be Conducted at this Facility	
<i>If additional space is needed to answer question 3, please attach additional pages.</i>	
3. Describe the lessee's manufacturing activity at this facility:	
4. Is the lessee currently paying manufacturing or processing for hire business & occupation tax on above described activity?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5. If the answer to question 4 is "No", is this a new manufacturing activity for the lessee's business?	Yes <input type="checkbox"/> No <input type="checkbox"/>

Estimated Investment Project Costs	
<i>Please include only those costs that will be paid for by the applicant.</i>	
6. 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:	_____
7. 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:	_____
8. Total Costs (Structure & Equipment):	_____
9. Estimated Completion Date:	_____
10. Estimated Square Footage Created:	_____
11. Provide the name(s) of the general contractor(s) to be used, if known.	

Apportionment of Structure	
<i>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.)</i>	
12. 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				
13. Average Number of Full Time Equivalents (FTEs) for Previous Calendar Year. (1820 annualized hours worked = 1 FTE):				
Entire Business:	_____			
At This Facility:	_____			
14. Estimated Number of New FTEs as a result of this project: _____				
15. Estimated Wages of New FTEs as a result of this project: \$ _____				
16. How will the lessee's project generate jobs, both construction and/or manufacturing?				
17. Provide the lessee's average quarterly employment at the site for the prior two years. (If applicable)				
Tax Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
(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.

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.