

# Special Notice

*Intended audience: manufacturers of fresh fruit and vegetable products*

**Nov. 25, 2019**

## **Fresh fruit or vegetable manufacturers B&O tax exemptions extended – change in filing requirements**

Fresh fruit and vegetable manufacturers are exempt from business and occupation (B&O) tax on certain manufacturing and selling activities through June 30, 2025. Manufacturing includes canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables ([RCW 82.04.4266](#)).

### **What the exemptions provide**

The following tax classifications and activities are exempt from B&O tax:

- Manufacturing B&O tax - the value of products sold by fresh fruit or vegetable manufacturers
- Wholesaling B&O tax - products manufactured and sold by the manufacturer at wholesale to a buyer that transports the product outside Washington 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% ([RCW 82.04.260 \(1\)](#)).

### **How to complete the excise tax return**

Effective July 1, 2015, 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, surveys, and reports through the department's MyDOR system.

- Income from manufacturing fresh fruits or vegetables is reported under Manufacturing of Fresh Fruit/Vegetable Products B&O tax classification. A deduction should be claimed for the 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

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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.

- Income from retail sales should be reported under the Retailing B&O tax and Retail Sales tax classifications.
- 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.

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

## How to document the wholesale exemption for product transported outside the state by the buyer

A manufacturer taking a wholesale 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 provided the buyer supplies the seller with a copy of the buyer's reseller permit.

## When should I file an Annual Tax Performance Report?

If you claimed one or more of these exemptions, you must electronically file an Annual Tax Performance Report by May 31 of the year following the year when you claimed the exemption ([RCW 82.32.534](#)).

For example, if you claimed one or more of the B&O tax exemptions in 2017, your annual report would need to be filed by May 31, 2018.

## What if I don't file an Annual Tax Performance Report?

If you do not file this report on time, the exemptions claimed will be disallowed and a portion of the balance owed will be billed back to you.

**Note:** For tax years prior to 2017, the full value of the exemptions claimed under [RCW 82.04.4266](#) will be billed back to you if the incentive survey was not filed timely ([RCW 82.32.585](#)).

## More information

[Engrossed Substitute Senate Bill \(ESSB\) 6057](#), Part II, Chapter 6, Laws of 2015

## Questions?

For general tax questions or help logging into MyDOR, call 360-705-6705.

For questions regarding the Annual Tax Incentive Survey or Reports, call 360-705-6210.

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