

# Special Notice

*Intended audience: Owners of qualifying commercial centers who plan to have solar canopies installed at these centers.*

**July 1, 2022**

## Solar canopy retail sales and use tax deferral

Effective July 1, 2022, persons who plan to have solar canopies constructed at qualifying commercial centers may apply for a retail sales and use tax deferral. The deferral is for state and local retail sales and use taxes on a qualified solar canopy, including labor and services rendered in the planning, installation, and construction of the project.

### What qualifies?

To qualify for the deferral, the solar canopy must meet all the following:

- Be a new solar canopy of at least 50,000 sq. ft. located in a qualifying commercial center.
- Be constructed within two years of the issuance of a tax deferral certificate.
- Contain a solar energy system with a nameplate capacity of at least 1 megawatt of alternating current.
- Remain connected to the electrical grid and be producing solar energy for eight years.

### Applying for a deferral

The application must be submitted before initiation of construction.

Applications will not be accepted after June 30, 2032.

### Deferral program requirements

The lessor or owner of an eligible investment project is only eligible for a deferral if either:

- The underlying ownership of the building vests exclusively with the person receiving the economic benefit of the deferral.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](http://dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

- The economic benefits of the deferral are passed to a lessee as provided in section 8 of [ESSB 5714](#).

The recipient of a deferral certificate must begin meaningful construction on an eligible investment project within one year of receiving a deferral certificate. If the recipient does not begin meaningful construction within one year of receiving the deferral certificate, the certificate is invalid, and all deferred taxes are due immediately.

The recipient of a deferral certificate must file an Annual Tax Performance Report for the first year in which the solar canopy is certified as operationally complete and for the subsequent seven years.

If the recipient is required to file excise tax returns, they must also complete the buyer's sales and use tax preference addendum within the return.

The recipient must notify the department and update the information originally provided in the application if the solar canopy, at the time of completion, will produce an amount of electricity that is less than 85% of the nameplate capacity originally assumed.

## How much do I pay?

At the end of the deferral period, the deferral recipient must pay all or a portion of the deferred retail sales and use taxes to the Department of Revenue. The reduction on deferred taxes will depend on the project's compliance with specified labor standards, as certified by the Department of Labor and Industries (L&I). Recipients will either pay 0%, 25%, 50%, or 100% of the taxes deferred.

The deferral recipient may receive a reduction of the state and local retail sales and use taxes owed as follows:

- 50% reduction if L&I certifies the project includes all the following:
  - Procurement from and contracts with women, minority, or veteran-owned businesses.
  - Procurement from and contracts with entities that have a history of complying with federal and state wage and hour laws and regulations.
  - Apprenticeship utilization.
  - Preferred entry for workers living in the area where the project is being constructed.

**Note:** If an eligible investment project is built without one or more of the above standards, and a project developer or its designated principal contractor demonstrates it has made good faith efforts to meet the standards but was unable to comply due to lack of availability of qualified businesses or local hires, the department of labor and industries may certify the developer complied with one or more standards.

- 75% reduction if, in addition to meeting the 50% standard, the project compensates workers at prevailing wages determined by local collective bargaining.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](http://dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

- 100% reduction if L&I certifies the project is developed under a community workforce agreement or project labor agreement.

## Definitions

**Initiation of construction** means the date a building permit is issued. The term does not include soil testing, site clearing and grading, site preparation, or any other related activities initiated before the issuance of a building permit for the construction of the foundation of the building.

**Investment project** means an investment in a qualified solar canopy including labor and services rendered in the planning, installation, and construction for the project.

**Meaningful construction** means an active construction site, where excavation of a building site, laying of a structure foundation, or other tangible signs of construction are taking place and clearly show a progression in the construction process at the location designated by the taxpayer in the application for deferral.

**Qualified solar canopy** means construction of a new solar canopy that has an area of at least 50,000 square feet.

**Qualifying commercial center** means a property currently used for retail, industrial, office, or other commercial purposes, containing a parking area or other area dedicated for both vehicle use and placement of a solar canopy.

**Solar canopy** means an elevated structure, or multiple structures, containing a solar energy system with a nameplate capacity of at least one megawatt of alternating current (RCW 82.16.110). “Solar canopy” includes the solar energy system, power lines, and any equipment required to connect the solar canopy to the electrical grid.

## More information

[ESSB 5714](#), Chapter 161, Laws of 2022

Dept. of Labor & Industries – Clean energy projects

## Questions?

For questions about deferrals, please email [DORDeferrals@dor.wa.gov](mailto:DORDeferrals@dor.wa.gov) or call our Deferral Program Lead at 360-534-1443.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](http://dor.wa.gov)

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.