



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 24, 2015

## Fresh Fruit or Vegetable Manufacturers B&O Tax Exemptions Extended – Change in Filing Requirements

Fresh fruit and vegetable manufacturers do not owe business and occupation (B&O) tax on certain manufacturing and selling activities through June 30, 2025. Manufacturing activities include canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables ([RCW 82.04.4266](#)).

### What the exemptions provide

You may get an exemption for the following tax classifications and activities:

- Manufacturing B&O tax - the value of products sold by fresh fruit or vegetable manufacturers, and
- 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 percent ([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 and surveys through our e-file or My Account 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 wholesale to a buyer that

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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.
- The law allows a deduction 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, you need to report that income under the Manufacturing B&O tax classification or another manufacturing classification, if appropriate.

### **You need to document the wholesale exemption**

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.

### **You need to file an Annual Tax Incentive Performance Report**

If you claim the exemption, you must electronically file an Annual Tax Incentive Performance Report by May 31 of the year following the year when you claimed the exemption ([RCW 82.32.585](#)). For example, if you claim B&O tax exemptions in 2015, you must file the report by May 31, 2016.

To file, go to our website at [dor.wa.gov](http://dor.wa.gov) and login to My Account. Once you're logged in, click on *Credits & Tax Incentives*, then *File Tax Performance Report* and complete the survey.

If you don't file this report, we will assess your B&O tax at the rate of 0.484 percent on the exemptions you claimed under manufacturing and/or wholesaling.

### **Need help?**

- For help logging in to My Account, call 1-877-345-3353 or (360) 902-7079.
- For general tax questions, call 1-800-647-7706.
- For Annual Tax Incentive Performance Report questions, call (360) 902-7167.
- For bill information, see *Engrossed Substitute Senate Bill ([ESSB 6057, Part II](#), Chapter 6, Laws of 2015*.