



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

AUGUST 6, 2015

## Seafood product manufacturers B&O tax exemptions extended – Changes in how you need to file

The business and occupation (B&O) tax exemptions provided to seafood product manufacturers on certain manufacturing and selling activities has been extended through June 30, 2025 ([RCW 82.04.4269](#)).

To claim the tax preferences, manufacturers must report their gross income from seafood manufacturing activities and take a deduction for the exempt amounts effective July 1, 2015.

### What the exemptions provide

Manufacturer may use a B&O tax exemption for the following tax classifications and activities:

- Manufacturing B&O tax - the value of products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person; and
- Wholesaling and retailing B&O tax - those seafood products that remain in a raw, raw frozen, or raw salted state manufactured and sold by the manufacturer at wholesale or retail to a customer that transports the product outside this state 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, seafood 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 the Department's E-file or My Account system.

- You (the manufacturer) needs to report income from manufacturing seafood products under "Manufacturing of Seafood Products" B&O tax classification. You need to claim a deduction for the same amount under "Exempt Manufactured Products."

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For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

- You need to report all wholesale sales under the Wholesaling B&O tax classification. You may then take a deduction for the value of products you manufactured and sell wholesale to a buyer who transports the product outside the state in the normal course of business. You can claim this deduction under “Dairy, Fresh Fruit/Vegetable, and Seafood Mfd Products for Transport Out of State.”
- You need to report all retail sales under the Retailing B&O tax classification. You may then take a deduction for the value of products you manufactured and sold at retail to a buyer who transports the product outside the state in the normal course of business. You can claim this deduction under “Dairy and Seafood Mfd Products for Transport Out of State.”
- You can take a deduction under the Wholesaling and the Retailing B&O tax classifications for products delivered to customers outside the state. You can claim this deduction under “Interstate and Foreign Sales.”
- You need to report retail sales under the Retail Sales tax section. Generally, you do not owe sales tax on sales of seafood products under “Exempt Food Sales.” For more information, see [WAC 458-20-244](#).

If the business manufactures other products not eligible for the exemption, you need to report that income under the Manufacturing B&O tax classification or another manufacturing classification, if appropriate.

## How to document exemptions for product that the buyer transports outside the state

A manufacturer taking a wholesale or retail exemption for product that the buyer transports outside Washington must keep and preserve records for up to five years. Those records must establish that the purchaser transported the goods in the ordinary course of business out of this state. A letter from the buyer stating this fact is adequate documentation. For wholesale sales, the buyer must also supply the seller with a copy of the buyer’s reseller permit.

## You need to file an Annual Tax Performance Report

All businesses claiming the exemptions are required to electronically file an Annual Tax Performance Report by May 31 of the year following the year when they 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 Annual Tax Performance Report* and complete the survey.

## **If you don't file this report, you may owe more tax**

If you don't file the report, we will assess the B&O tax at the rate of 0.484 percent on the exemptions you claimed under manufacturing and/or wholesaling. If you claimed deductions under retailing, you will be assessed B&O tax at the rate of 0.471 percent.

## **Need help?**

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