

Special Notice

Intended audience: retailers of food and food ingredients for human and pet consumption

July 1, 2019

Scan-down allowances – new business and occupation (B&O) tax deduction

Effective July 28, 2019 there is a new deduction for scan-down allowances on food and food ingredients intended for human and pet consumption.

How does this affect me?

Payments or credits received from a manufacturer or wholesaler generally represent gross income to the business. If you receive payments or credits from a manufacturer or wholesaler for scan-down allowances, you may take a deduction from amounts reported under the **Service and Other Activities** B&O tax classification as **Scan-down Allowances**. See definition below.

If you file a paper return you will use the **Other** category with the description **scan-down allowances**.

Why is this happening?

Scan-down allowances were incorrectly treated as bona fide discounts in ETA 3173.2013. However, scan-down allowances do not qualify as bona fide discounts.

While scan-down allowances do not qualify as bona fide discounts, the department will accept them as discounts for reporting periods before the effective date.

Definitions

Scan-down allowance means a payment or credit offered to a seller by a manufacturer or wholesaler of products, where all of the following are true:

- The amount of the payment or credit is based on the quantity of product to be sold at retail within a specified period.

- The seller knew the terms of the offer before making the sales.
- The seller is not required to provide any services or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler.

Product means:

- food or food ingredients as defined in [RCW 82.08.0293](#)
- pet food and specialty pet food as defined in [RCW 15.53.901](#)

More information

See [EHB 1354](#) for more information.