

Special Notice

Intended audience: manufacturers of seafood products

Nov. 25, 2019

Seafood product manufacturers B&O tax exemptions extended – change in filing requirements

Seafood manufacturers are exempt from business and occupation (B&O) tax on certain manufacturing and selling activities through June 30, 2025. Seafood products must remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing. ([RCW 82.04.4269](#)).

What the exemptions provide

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

- 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
- 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% ([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, surveys, and reports through the department's MyDOR system.

- Income from manufacturing seafood products is reported under Manufacturing of Seafood Products B&O tax classification. A deduction should be claimed for the same amount under Exempt Manufactured Products.

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- 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 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.
- All retail sales should be reported under the Retailing B&O tax classification. A deduction may then be taken for the value of products manufactured and sold by the manufacturer at retail to a buyer that transports the product outside the state in the normal course of business. This deduction is claimed under Dairy and Seafood Mfd Products for Transport Out of State.
- 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.
- Retail sales must also be reported under the Retail Sales tax section. Generally, sales of seafood products are exempt from sales tax under Exempt Food Sales. For more information, see [WAC 458-20-244](#).

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

How to document the exemptions for product transported outside the state by the buyer

A manufacturer taking a wholesale or retail 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. For wholesale sales, the buyer must also supply 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 Annual Tax Performance Report?

If you do not timely file this report, 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 82.04.4269](#) will be billed back to you if the incentive survey was not filed timely ([RCW 82.32.585](#)).

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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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