

High Unemployment County Application for Sales and Use Tax Deferral for Lessor 82.60 RCW

General Instructions

Filing: This application must be mailed or faxed to the Washington State Department of Revenue prior to the date the building permit is issued and/or prior to the acquisition of machinery and equipment within Washington State.

Eligible Investment Project means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project. The investment project must be located in an Eligible Area.

Eligible Area means a qualifying county or a community empowerment zone. A qualifying county means a county that has an unemployment rate which is at least 20 percent above the state average for three calendar years immediately proceeding the year in which the list of qualifying counties is updated. This list is updated every two years.

Qualified Buildings means the construction of new buildings, and expansion or renovation of existing buildings for the purpose of increasing floor space or production capacity used for manufacturing or research and development.

Qualified Machinery and Equipment means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing or research and development operation.

Qualified Activities includes manufacturing, the conditioning of vegetable seeds, and activities performed by research and development and commercial testing laboratories.

Use/Report Requirements: All businesses must maintain qualified activity at the site of the investment project for the year in which the investment project is certified operationally complete by the Department of Revenue, plus seven additional years. An annual tax performance report due May 31 is also required every year during this eight-year period.

Employment Requirements: For investment projects located in community empowerment zones, there are additional hiring requirements. See RCW 82.60.049 for the specific requirements.

Waiver of Taxes: If all program requirements have been met, the deferred sales/use tax is waived by the Department of Revenue after the eighth year.

Business Name, Address, and Phone Number

Phone (_____) _____

Contact Person *(All correspondence will be directed to this person)*

Name _____

Address _____

Phone _____

Fax _____

Email _____

Department of Revenue Tax Reporting Number

Check one:

Lessee's Business is New

Lessee's Business is Expanding

Location of Investment Project

County _____

Address _____

Street Address

City, State and Zip Code

Lessee Information

1. Name of Lessee: _____
 2. Mailing Address: _____
 3. Contact Person: _____
 4. Phone Number: _____
 5. Department of Revenue Tax Reporting Account Number: _____
- | | |
|------------|-----------|
| <u>Yes</u> | <u>No</u> |
|------------|-----------|
6. Do the lessee and lessor have 100% same ownership?
 7. If the answer to question 6 is "Yes", please provide documentation to substantiate the relationship.
 8. If the answer to question 6 is "No", has the lessor agreed by written contract to pass the economic benefit of the deferral to the lessee?

(Please attach a completed Lessee's Application, if applicable, and a copy of the lease agreement reflecting the economic benefit of the deferred tax is passed onto the lessee by any type of payment, credit, or other financial arrangement between the lessor and qualified lessee.)

Please have the lessee sign the following statement. Failure to do so will prevent approval of the application.

I agree to file an annual tax performance report with the Department of Revenue by May 31st for eight years, beginning with the first calendar year after the calendar year in which the investment project is certified by the department as operationally complete.

Name _____ Date _____
Signature _____ Title _____

Apportionment of Structure

If the facility is used partly for manufacturing and research and development and partly for other purposes, the applicable tax deferral shall be determined by apportioning the costs of construction. (Not all of these categories qualify for the deferral.)

9. Percentage of facility devoted to:

Accounting/Payroll	_____ %
Administration	_____ %
Cafeteria	_____ %
Common Areas	_____ %
Conference & Training Rooms	_____ %
Customer Service	_____ %
Manufacturing	_____ %
Plant offices used by direct line supervisors or other managers who oversee the manufacturing process	_____ %
Reception Area	_____ %
Research & Development	_____ %
Sales & Marketing	_____ %
Warehouse	_____ %
Other (please describe)	_____ %
Total	100 %

10. Percent of cogeneration energy produced and devoted to internal use, if applicable:

Manufacturing	_____ %
Research and Development	_____ %
Other (please describe)	_____ %
Total	100%

Estimated Investment Project Costs

Please only include costs that will be paid for by the applicant.

11. Structure:

Date building permit will be issued	_____
Construction of new structure(s)	\$ _____
Leasehold improvements paid for by applicant	\$ _____
Expansion or renovation to expand floor space or production capacity	\$ _____
Construction of cogeneration facility	\$ _____
Total Structure Costs	\$ _____
12. Machinery & Equipment:

Date equipment is to be acquired	_____
Purchase Price	\$ _____
Lease contract price	\$ _____
Fair market value of previously owned machinery and equipment that is new to the State of Washington	\$ _____
Total Machinery & Equipment Costs	\$ _____
13. **Total Costs (Structure, Machinery, & Equipment)** \$ _____
14. Estimated completion date _____

Business Activity to be Conducted at this Facility

If additional space is needed to answer questions 15 and 16, please attach additional pages.

15. Describe the lessee's manufacturing activity at this facility:

16. Describe the lessee's research and development activities at this facility, if applicable:

Employment Information

17. Lessee's average number of Full Time Equivalents (FTEs) for previous calendar year.
(1820 annualized hours worked = 1 FTE):
- Lessee's entire business: _____
- At this facility: _____
18. Estimated number of new FTEs as a result of this project: _____

If your investment project is located in a qualifying county, please skip question 19.

19. If your investment project is located in a community empowerment zone (CEZ), you must hire at least one qualified employment position for each \$750,000 of investment on which a deferral is approved. The persons must be hired after the date the application is filed with the department. Each qualified employment position must be filled by persons who at the time of hire are residents of the CEZ, or the county that contains the CEZ. If, by the end of the second calendar year following the year in which the project is certified as operationally complete, you have not hired and retained for twelve calendar months the required number of qualified employment positions, all deferred taxes are immediately due.

Estimated number of qualified fulltime positions that will be filled by residents of the CEZ or the county that contains the CEZ: _____

Name of CEZ: _____

Use of Facility

All businesses must maintain a qualified activity at the site of the investment project for the year in which the investment project is certified as operationally complete by Revenue, plus seven additional years.

Yes No

20. Does the lessee plan to operate this investment project in a qualified manner for 8 years from the time the project is complete?

21. If the answer to question 20 is "No", how long does the lessee plan to operate this investment project in a qualified manner? _____

If the manufacturing or research and development activity is not maintained, all or a portion of the deferred taxes outstanding for this investment will be immediately due. The department will assess interest at the rate provided for delinquent excise taxes, but not penalties, retroactively to the date of the deferral.

Audit Records Location

If your application is approved, a deferral certificate will be issued using the estimates from your application. **Upon completion of the project, an auditor will verify that you are performing qualified activities at this facility. They will also verify that the approved percentage of your structure and 100% of the machinery and equipment are eligible for the deferral. The auditor may adjust the allowable deferral based on his or her findings and you will be billed for all non-qualifying purchases.**

To minimize inconvenience and the time it takes to complete an audit, please have the following records for the audit period available for your meeting with the auditor:

- Purchase invoices (i.e., accounts payable, receipts)
- Supporting documentation for the construction, such as construction contracts
- Original Sales and Use Tax Deferral Certificate

Although most audits can be completed with the above records, additional documents may be required during the audit.

Please complete the following information about the contact person and audit records location if this information is currently available:

22. Contact person: _____

23. Phone number of contact person: _____

24. Location of Audit records: _____

How did you hear about this deferral program?

Print Name _____

Title _____ Date _____

Applicant's Signature _____

Mail, Fax or Email To:

**Department of Revenue
Audit Division, Refund & Deferral Unit
PO Box 47474
Olympia, WA 98504-7474**

Fax: (360) 704 – 5648

Email: DORdeferrals@dor.wa.gov

Questions? Call (360) 534 – 1503 option 6.