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New tax changes take effect July 1

OLYMPIA – July 1, 2015 – Several tax changes take effect July 1 now that Washington’s new state operating budget has been enacted.

Tax preferences expiring July 1, 2015

- The sales and use tax exemptions for machinery and equipment used directly for the retail sale of a biodiesel blend and E85 motor fuel and fuel delivery vehicles used to distribute such fuels.
- The business and occupation (B&O) tax exemption for credits against power contracts with, or amounts received from, the Bonneville Power Administration.
- The B&O deduction for the retail sale or distribution of biodiesel fuel and E85 motor fuel.
- The sales and use tax exemptions for property and services related to electrification systems to power heavy duty diesel vehicles.
- The sales and use tax exemptions for property and services that enable heavy duty diesel vehicles to operate with onboard electrification systems.
- The B&O tax credit for forest-derived biomass sold, transferred or used for the production of electricity, steam, heat or biofuel.

Extended tax preferences

- The B&O tax exemption for fruits and vegetables, and wholesale sales to persons who transport the goods out of state in the ordinary course of business, is extended until July 1, 2025. The effective date of the preferential rate for fruits and vegetables in RCW 82.04.260 has been delayed until 2025.
- The B&O tax exemption for manufacturing dairy products, and wholesale sales of dairy products sold to a manufacturer for use as an ingredient or component in the manufacturing of a dairy product, is extended until July 1, 2025. The effective date of the preferential rate for dairy in RCW 82.04.260 has been delayed until 2025.
- The B&O tax exemption for manufacturing seafood products, and wholesale sales of seafood to persons who transport the goods out of state in the ordinary course of business, is extended

until July 1, 2025. The effective date of the preferential rate for seafood in RCW 82.04.260 has been delayed until 2025.

- The sales and use tax exemptions available to data centers on their purchases of server equipment and power infrastructure:
 - The existing data center sales and use tax exemption on replacement server equipment where commencement of construction took place after April 1, 2012, but before July 1, 2015 is extended until April 1, 2024.
 - An additional sales and use tax exemption is provided for server equipment and power infrastructure for up to 12 new data centers constructed between July 1, 2015, and July 1, 2025, with some changes from the prior incentive.
- The tax preferences for aluminum smelters are extended through January 1, 2027. The tax preferences for the aluminum industry include the following:
 - A reduced B&O rate from 0.484 percent to 0.2904 percent for manufacturers of aluminum
 - A B&O tax credit for the amount of property taxes paid on an aluminum smelter
 - A sales and use tax credit against the state portion of the tax for personal property, construction materials and labor and services performed on buildings and property at an aluminum smelter
 - An exemption from the brokered natural gas use tax on gas delivered through a pipeline
- The sales and use tax exemptions on purchases of wax and ceramic materials used to create molds during the process of creating ferrous and nonferrous investment castings used in industrial application are permanently extended.
- The commute trip reduction credit is extended until 2024. The statewide credit allowance cap is raised to \$2.75 million, and the maximum credit per taxpayer is reduced to \$100,000. Carryover credits are phased out. A prior bill this legislative session, HB 1299, extended the credit until 2017.

New or changed preferences

- The sales and use tax exemption for passenger cars, light duty trucks and medium duty passenger vehicles, and certain used vehicles, that are exclusively powered by a clean alternative fuel is extended to July 1, 2019 with the following changes:
 - The exemption is expanded to cover plug-in hybrids that can travel at least 30 miles on battery power alone.
 - The exemption is limited to vehicles with a selling price plus trade-in (or fair market value for leased vehicles) of \$35,000 or less (for sales or leases signed after the effective date).
 - Used vehicles may no longer qualify for the exemption.
 - For leases signed before the effective date, lease payments will continue to be exempt regardless of the fair market value of the lease.

- The agricultural tax preferences to eligible beekeepers (apiarists) is extended. “Honey bee products” is defined and added to the definition of agricultural products. Repeals bee industry incentives that are due to expire in 2017 and the JLARC review of those incentives and makes them permanent.
- Marijuana excise taxes paid to the Liquor and Cannabis Board are consolidated into a single 37 percent tax on the consumer beginning July 1, 2015. The legislation also provides temporary sales and use tax exemptions for marijuana products and low THC products provided by a collective garden to qualifying patients and designated providers, if all are in compliance with chapter 69.51A RCW. The exemptions are effective from July 1, 2015 to June 30, 2016. A sales and use tax exemption for certain marijuana products will begin July 1, 2016.

Other changes effective July 1, 2015

- The oil spill response and administration taxes are expanded to the receipt of crude oil or petroleum products at a bulk oil terminal with Washington from a railroad car.

Bills with effective dates later than July 1, 2015 will be included in Revenue’s 2015 *Summary of Tax Legislation* published in late July. Visit [Revenue’s website](#) for more details about the tax-related bills passed this session.

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About Revenue

The Department of Revenue is Washington state’s primary tax administration agency, nationally recognized for innovation and service quality. Revenue collected more than \$19.6 billion in tax revenues in fiscal year 2014. These funds go to support public schools, social services, health care, corrections, public safety and natural resources conservation.