

# SPECIAL NOTICE

May 25, 2006

For further information contact:

Telephone Information Center  
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715  
Teletype 1-800-451-7985

## Dairy Product Processors Receive B&O Tax Exemption

Persons manufacturing dairy products are exempt from the business and occupation (B&O) on the value of products and gross proceeds on dairy products **sold to buyers who transport the goods, in the ordinary course of business, out of Washington**. The person claiming the tax exemption must maintain documentation that the goods were transported out of the state by the purchaser. (Engrossed House Bill 3159, Chapter 354, Laws of 2006)

This B&O tax exemption is **effective July 1, 2006** and will expire July 1, 2012 at which time, the activities will be subject to B&O tax at the 0.00138 rate.

Instate wholesale sales to persons who **do not transport the goods out of this state**, in the ordinary course of business, remain subject to the Wholesaling classification of the B&O tax at the 0.00484 rate.

### Dairy Product and Manufacturing Defined

For this tax exemption, "dairy product" means dairy products that as of September 20, 2001 are identified in 21 C.F.R., milk and cream (chapter 1, parts 131), cheeses and related cheese products (133), and frozen desserts (135), including by-products from the manufacturing of the dairy products such as whey and casein. The term "manufacturing" means manufacturing as defined in RCW 82.04.120.

### Electronic Filing and Annual Survey Required

Each person claiming the tax exemption must electronically file all returns, surveys, and any other forms and information required. To sign up for E-file go to our web site at <http://dor.wa.gov>. The survey is due by March 31 of the year following the calendar year in which a tax exemption is taken. It must include, but is not limited to, the following:

- Amount of tax exemption taken;
- Number of total employment positions;
- Full-time, part-time and temporary employment positions as a percent of total employment;
- Number of employment positions according to the following wage bands:
  - Less than \$29,999,
  - \$30,000 - \$59,999, and
  - \$60,000 and greater.(A wage band containing fewer than three individuals may be combined with another wage band.)
- Number of employment positions that have employer-provided medical, dental, and retirement benefits, by each of the wage bands.

The survey is due by March 31 of the year following the calendar year in which a tax exemption is taken. If a required form is not filed electronically, there must be “good cause” or the exemption will be forfeited and tax is due.

Survey information will be used in a report to the Legislature about the effectiveness of the exemptions.

### **Processing Plants and Cold Storage Warehouses Tax Incentives**

There are also tax incentives for the construction or expansion of dairy product processing plants and cold storage warehouses. These incentive programs will become **effective July 1, 2007**. We will issue information about these programs as the effective date draws closer.

### **For More Information**

If you need assistance or have questions, contact the Telephone Information Center at 1-800-647-7706.

For detailed information about the tax exemptions, see the following references:

- Engrossed House Bill 3159, Chapter 354, Laws of 2006
- 21 C.F.R., milk and cream (chapter 1, parts 131), cheeses and related cheese products (133), and frozen desserts (135)
- RCW 82.04.120

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