



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 3, 2007

Processing Plants and Cold Storage Warehouses

Effective July 1, 2007, qualifying businesses may be eligible for a sales and use tax deferral on the new construction, and expansion or renovation of an existing structure used in fresh fruit and vegetable processing, dairy product manufacturing, seafood product manufacturing, cold storage warehouse, and research and development activities. The deferral program also applies to purchases of qualified machinery and equipment. (Engrossed House Bill 3159, Chapter 354, Laws of 2006.)

What qualifies

An investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

“Qualified buildings” means construction of new structures, expansion or renovation of existing structures for increasing floor or production capacity used for fruit and vegetable processing, dairy product and seafood product manufacturing, cold storage warehousing, and research and development activities.

A cold storage warehouse must be owned or operated by a wholesaler or third party warehouse to store fresh and/or frozen perishable fruits or vegetables, dairy products, seafood products at a desired temperature to maintain the quality of the product.

“Qualified machinery and equipment” means all industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a fresh fruit and vegetable processing, dairy product manufacturing, seafood product manufacturing, cold storage warehouse, or research and development operation. “Qualified machinery and equipment” includes: Computers; software; data processing equipment; laboratory equipment; manufacturing components such as belts, pulleys, shafts, and moving parts; molds, tools, and dies; operating structures; and all equipment used to control or operate the machinery.

The lessor or owner of a qualified building is not eligible for a deferral unless:

- the underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person; or
- the lessor by written contract agrees to pass the economic benefit of the deferral to the lessee in the form of reduced rent payments, and
 - ◆ the lessee that receives the economic benefit of the deferral agrees in writing with the department to complete the annual survey under RCW 82.74.040.

The economic benefit of the deferral to the lessee may be evidenced by any type of payment, credit, or any other financial arrangement between the lessor or owner of the qualified building and the lessee.

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Deferral application

To qualify for the deferral an applicant must **apply** to the Department of Revenue's Special Programs Division **before "initiation of construction" begins**. Therefore, in order to qualify a deferral application must be submitted before a building permit is issued for construction.

Initiation of construction does not include soil testing, site clearing and grading, site preparation, or any other related activities that are initiated before a building permit is issued for the construction of the foundation of the building.

The deferral application *Fruit and Vegetable Businesses Application for Sales and Use Tax Deferral* is available on our web site at <http://dor.wa.gov> under "Get a form or publication." The appropriate mailing address is provided on the application.

An eligible project will receive a sales and use tax deferral certificate issued by the Department.

No application may be made under this chapter for a project for which a sales tax refund is requested under RCW 82.08.820 or 82.12.820. (Warehouse Remittance Program)

Reporting and documentation

Each recipient of a deferral must electronically file all returns and annual surveys. The annual survey is due by March 31st of the year following the calendar year in which the investment project is certified by the Department as having been complete and each of the following seven calendar years. The survey will be available through our Online Services. (For additional information regarding the survey and filing requirements, see Washington Administrative Code (WAC) 458-20-268 and Revised Code of Washington (RCW) 82.32.600.)

Misuse of deferral project

If, the Department finds that the deferral project is used for purposes other than fresh fruit and vegetable processing, dairy product manufacturing, seafood product manufacturing, cold storage warehousing, or research and development at any time during the calendar year in which the investment project is certified as being operationally completed, or at any time during the seven succeeding calendar years, a portion of deferred taxes shall be immediately due according to the schedule provided in RCW 82.74.050. In addition, interest may apply.

For more information

For further information, please see Revised Code of Washington (RCW) 82.74.