



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JULY 2, 2007

## Processing Plants and Cold Storage Warehouses

From July 1, 2007, through June 30, 2012, 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 performed by these businesses. The deferral program also applies to purchases of qualified machinery and equipment. No applications will be accepted after June 30, 2012.

### Who may qualify

#### Fresh fruit and vegetable processors

Fresh fruit and vegetable processing consists of canning, preserving, freezing, processing, or dehydrating fresh fruits and/or vegetables. Fresh fruit and vegetable processing does not include packing, sorting, washing, rinsing, grading, waxing, treating with fungicide, chilling or placing controlled atmospheric storage.

#### Seafood product manufacturers

Seafood product manufacturing includes manufacturing any edible marine fish and shellfish that remains in a raw, raw frozen, or raw salted state. Seafood product manufacturing does not include cutting, grading, or ice glazing seafood which has been cooked, frozen, or canned outside this state.

#### Dairy product manufacturers

Dairy product manufacturing includes manufacturing dairy products that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including byproducts from the manufacturing of the dairy products such as whey and casein.

#### Cold storage warehouse

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.

#### Research and development

“Research and development” means the development, refinement, testing, marketing, and commercialization of a product, service, or process related to fresh fruit and vegetable processing, dairy product manufacturing, seafood product manufacturing, or cold storage warehousing before commercial sales have begun. For the purpose of this deferral “commercial sales” excludes sales of prototypes or sales for market testing if the total gross receipts from such sales of the product, service, or process do not exceed one million dollars.

#### 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.

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“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 performed by these businesses.

“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.

### **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 April 30th 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 is available through “My account.”

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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 Chapter 82.74 RCW.