



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

JUNE 25, 2008

## **Bio-composite Manufacturing Reduced B&O Tax Rate Restored**

HB 2678 (Chapter 296, Laws of 2008), restores a preferential business and occupation (B&O) tax rate for the manufacturing of bio-composite surface material products. The legislation is effective June 12, 2008, but the tax treatment applies retroactively to July 1, 2007. (RCW 82.04.260(12))

In 2006 the Legislature passed SSB 6874 which provided a phased-in B&O tax rate reduction benefiting certain industries in the timber and forest products sectors. Manufacturers of certain products qualify for the reduced rate, but only if the end product of the manufacturing process meets the definition of "timber product" or "wood product" and only if "timber" or a "timber product" is an ingredient or component of the end product. In 2007 the Legislature amended the definition of "timber product" for purposes of the B&O tax rate reduction. This definitional change had the effect of eliminating the B&O tax rate reduction for the manufacture of recycled paper into wood products, including bio-composite surface products.

This legislation restores the lower B&O tax rate on the manufacturing and wholesaling of biocomposite surface products. (The rate is 0.2904 percent, plus a surcharge of 0.052 percent.)

### **Definitions**

"Bio-composite surface products" means surface material products containing, by weight or volume, more than 50 percent recycled paper and that also use nonpetroleum-based phenolic resin as a bonding agent.

"Recycled paper" means paper and paper products having 50 percent or more of their fiber content that comes from postconsumer waste. "Postconsumer waste" means a finished material that would normally be disposed of as solid waste, having completed its life cycle as a consumer item.

### **Electronic Filing & Annual Survey Required**

Taxpayers reporting under the reduced B&O tax rate must file all required tax returns and the annual surveys using our Electronic Filing (E-file) system. The annual survey must be filed by March 31 of the year following the year in which you take advantage of the reduced tax rate. If you do not file your tax returns or the annual survey electronically, you forfeit the reduced rate for the calendar year covered by the survey, and additional tax and interest will be assessed.

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