



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

APRIL 23, 2013

Fresh Fruit/Vegetable, Seafood, and Dairy Product Manufacturers B&O Tax Exemptions Extended

Summary

The business and occupation (B&O) tax exemptions for manufacturers of fresh fruit and vegetable products, dairy products, and seafood products were extended during the 2012 legislative session. The following B&O tax exemptions were extended to June 30, 2015:

- Fresh Fruit and Vegetable Product Manufacturers ([RCW 82.04.4266](#))
- Dairy Product Manufacturers ([RCW 82.04.4268](#))
- Seafood Product Manufacturers ([RCW 82.04.4269](#))

What the exemptions provide

The B&O tax exemptions provide:

- an exemption from the manufacturing B&O tax on the value of products sold by fresh fruit, seafood, and dairy product manufacturers, OR
- an exemption from wholesaling B&O tax for those products manufactured and sold by the manufacturer at wholesale to a customer that transports the product outside this state in the normal course of business.

A manufacturer taking a wholesale exemption (under the second bullet above) must keep and preserve records for up to five years. Those records must establish that the goods were transported by the purchaser in the ordinary course of business out of this state. A letter from the buyer stating this fact is adequate documentation.

These exemptions expire June 30, 2015. When they expire, the rate of 0.00138 will apply to all manufacturing and wholesale sales ([RCW 82.04.260 \(1\)\(b\)&\(c\)](#)).

Annual Tax Incentive Survey required

All businesses claiming the exemptions are required to electronically file an Annual Tax Incentive Survey by April 30th of the year following the year the exemption was claimed ([RCW 82.32.585](#)). For example, if you claim B&O tax exemptions in 2012, you must file an annual survey by April 30, 2013.

To file your survey, go to our website at dor.wa.gov/TaxIncentiveReporting and login. If you don't have an online account with Revenue, click on Join Now and follow the prompts. Once you're logged in, click on Credits & Tax Incentives, then File Tax Incentive Report/Survey and complete the survey.

**Failure to file
Annual Tax
Incentive Survey
results in tax due**

If you don't file the survey as required, you will be assessed tax on the previously exempt income under manufacturing and/or wholesaling. The B&O tax rate is as follows:

- For periods prior to June 10, 2010 - the rate of 0.00138 will apply
 - For periods from June 10, 2010 - June 30, 2015 – the rate of 0.00484 will apply
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**How to complete
the excise tax
return**

There is no application required for claiming these exemptions. However, to qualify for the B&O tax exemptions, the business is required to file all returns and surveys through the Department's E-file or My Account system.

Income that is exempt under the Manufacturing B&O tax classification or Wholesaling B&O tax classification should not be included in the gross income you report on your excise tax return. (See examples below.)

Other income from wholesale and retail sales should be reported under the Wholesaling and Retailing B&O tax lines of the return.

An Interstate and Foreign Sales deduction is still allowed under the Wholesaling and the Retailing B&O tax lines for product delivered to customers outside the state. The deduction must be itemized as "Interstate and Foreign Sales" on the deduction detail page.

Examples

1. A fresh fruit manufacturer sells product to a Washington customer. The manufacturer delivers the product to the customer in Washington. The customer provides the manufacturer a letter stating that the customer is transporting the product to California. When completing the excise tax return the manufacturer does not include the income under manufacturing B&O tax line. In addition, the wholesaling income from this sale is exempt and should not be included when completing the return.
 2. The manufacturer makes another sale, this time to a customer located in Oregon. The manufacturer ships the product to Oregon. The manufacturer will report this income under the Wholesaling classification of the B&O tax and then report a deduction for an "Interstate and Foreign Sale."
 3. The next customer is a wholesale customer located in Washington. The manufacturer delivers the product to the customer in Washington. This income should be reported under the Wholesaling B&O tax line. B&O tax is due on the amount of the sale.
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Need assistance

- Need help logging in, call 1-877-345-3353 or (360) 902-7079.
- Have general tax questions, please call our Telephone Information Center at 1-800-647-7706.
- Have specific questions regarding the survey, please call our Special Programs division at (360) 570-3265 and press 6.