



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

ISSUED JULY 2014

## Seafood Product Manufacturers B&O Tax Exemptions

### Summary

This notice represents a change in the Department's administration of the business and occupation (B&O) tax exemptions provided by [RCW 82.04.4269](#) to manufacturers of seafood products. The Department has determined that certain retail sales by seafood product manufacturers are also eligible for the exemption.

### What the exemptions provide

The Department has previously allowed an exemption from:

- the manufacturing B&O tax on the value of products that remain in a raw, raw frozen, or raw salted state at the completion of the manufacturing by that person sold by seafood product manufacturers; and
- the wholesaling B&O tax on those seafood products that remain in a raw, raw frozen, or raw salted state manufactured and sold by the manufacturer at wholesale to a customer that transports the product outside this state in the normal course of business.

The Department has now determined that the **law also provides an exemption from:**

- the retailing B&O tax on those seafood products that remain in a raw, raw frozen, or raw salted state manufactured and sold by the manufacturer to a customer that transports the product outside this state in the normal course of business.

If you determine that you may be eligible for a refund of overpaid B&O tax, you may request a refund. The Department may only honor refunds dating back four years prior to the year in which the refund request is made. For information on filing amended returns, visit us online at [dor.wa.gov](#), click on File & pay taxes, then File or amend my return.

The exemptions expire July 1, 2015.

### **Reduced B&O tax rate to replace deductions**

The exemptions will be replaced with a reduced B&O tax rate of 0.138 percent provided to seafood product manufacturers under [RCW 82.04.260\(1\)\(b\)](#) effective July 1, 2015. The reduced B&O tax rates have no expiration date at this time.

Income from the following activities will be subject to the reduced B&O tax rate at that time:

- manufacturing seafood products, and
- sales by the manufacturer of products manufactured by them and sold at wholesale or retail to buyers that transport the goods outside the state in the normal course of business.

Income from other retail and wholesale sales will be subject to the normal B&O tax rate for these classifications of 0.471 percent and 0.484 percent.

### **Documentation for sales by manufacturer**

A manufacturer claiming an exemption from the retailing or wholesaling B&O tax must keep and preserve records for up to five years that 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. For wholesale sales, the buyer must also provide the seller with a copy of the buyer's valid reseller permit.

### **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, Wholesaling, or Retailing B&O tax classifications should not be included in the gross income you report on your excise tax return.

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

### **Annual Tax Incentive Survey required**

All businesses claiming the exemptions and subsequent reduced B&O tax rates are required to electronically file an Annual Tax Incentive Survey by April 30th of the year following the year the deduction or reduced B&O tax rate were claimed ([RCW 82.32.585](#)). For example, if you claim the B&O tax deduction in 2014, you must file an annual survey by April 30, 2015.

To file a survey, go to our website at [dor.wa.gov](http://dor.wa.gov) and login to My Account. Once you're logged in, click on Credits & Tax Incentives, then File Tax Incentive Survey/Report 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. The B&O tax rate under manufacturing and/or wholesaling is as follows:

- For periods prior to June 10, 2010 - the rate of 0.138 percent will apply
- For periods from June 10, 2010 - June 30, 2015 – the rate of 0.484 percent will apply

The B&O tax rate for retailing is 0.00471.

**Need assistance**

- Need help logging in to My Account, 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 Annual Tax Incentive Survey, please call our Taxpayer Account Administration division at (360) 902-7167.