

Washington State Sales and Use Tax Summary
BMT-NW Acquisition
100 Tower Blvd.
Elma, WA 98541

General Tax Rates: 8.5%

Motor Vehicles Tax Rate: 8.8%

EXEMPTIONS:

- **Resale** – Sales for resale are exempt if the property purchased
 - Is purchased for resale in the regular course of business without intervening use;
 - Is an ingredient or component part of goods produced for sale in the regular course of business;
 - Is a chemical used in processing a new article of tangible personal property produced for sale

Washington buyers: As of January 1, 2010, buyers who are registered as resellers in Washington must provide a copy of their reseller permit. Resale certificates will not be accepted as they are no longer valid. If the customer does not have a reseller permit, sales tax must be charged and the customer can take a “tax paid at source” deduction on their tax return or request a refund from the Washington Department of Revenue.

Nonresident buyers: If a buyer is a nonresident who is not engaged in business in Washington; is not required to be registered with the Department; and buys articles in Washington for the purpose of resale in the regular course of business outside the state, the seller may accept, in lieu of a reseller permit, either a properly completed uniform sales and use tax exemption certificate developed by the Multistate Tax Commission, or a properly completed uniform exemption certificate approved by the SSUTA governing board. Nonresident buyers who are not required to be registered with the Department are nonetheless eligible to apply for and receive a reseller permit. [Wash. Admin. Code §458-20-102(9).] The MTC form is available at:

http://www.mtc.gov/uploadedFiles/Multistate_Tax_Commission/Resources/Forms/Uniform%20Sales%20and%20Use%20Certificate-1_2009.pdf

- **Manufacturing Machinery and Equipment** – The Manufacturers’ Sales and Use Tax Exemption (M&E) applies to purchases by manufacturers or processors for hire of machinery and equipment used directly in a manufacturing operation, testing operation, or research and development operation. (RW 82.08.02565 & 82.12.02565). A manufacturing operation begins at the point where the raw materials enter the manufacturing site and ends at the point where the processed material leaves the manufacturing site. The operation includes storage of raw materials at the site, the storage of in-process materials at the site, and the storage of the processed material at the site.

The exemption applies to the following:

1. Device - an item that is not attached to the building or site. Examples of devices are: Forklifts, chain-saws, air compressors, clamps, free standing shelving, software, ladders, wheelbarrows, and pulleys.
2. Industrial fixture - an item attached to a building or to land. Fixtures become part of the real estate to which they are attached and upon attachment are classified as real property, not personal property. Examples of “industrial fixtures” are fuel oil lines, boilers, craneways, and certain concrete slabs.
3. Machinery and equipment - industrial fixtures, devices, and support facilities, and tangible personal property that becomes an ingredient or component thereof, including repair parts and replacement parts. “Machinery and equipment” includes pollution control equipment installed and used in a qualifying operation to prevent air pollution, water pollution, or contamination that might otherwise result from the operation. Tools for repairing qualifying machinery and equipment are exempt.

The following are expressly excluded from the exemption and are therefore subject to tax:

1. Hand-powered tools, such as screw drivers and hammers. Handheld electric tools, including cordless tools, are not considered to be hand-powered tools.
2. Property with a useful life of less than one year. This includes replacement parts, such as blades and bits, which have a useful life of less than one year even if they are attached to other, longer-lasting machines. Items acquired for one-time use, such as molds or forms, are considered to have a useful life of less than one year.
3. Building fixtures permanently attached to a structure that are not an integral part of a manufacturing operation, such as heating, plumbing, or electrical systems.

In-state and out-of state manufacturers must provide a properly filled out Manufacturers Sales and Use Tax Exemption Certificate. The form is available at:

http://dor.wa.gov/docs/Forms/ExcsTx/ExmptFrm/ManufacturesSIsUseTxExmptCert_E.pdf

- **Qualified Nonresident Sales** - Sales of tangible personal property for use outside of Washington by residents of the following low-tax jurisdictions of: Alaska, Colorado, Delaware, Montana, New Hampshire, Oregon, American Samoa, Guam, Northern Mariana Islands, the U.S. Virgin Islands, Alberta, Northwest Territories, Nunavut, and the Yukon Territory are qualified for exemption. Tax exempt sales to these residents are at the discretion of the seller. Note: When making tax exempt sales, the seller must see photo identification, such as a driver's license, issued by the buyer's state of residence. **This exemption only applies to sales of goods which will not be used in Washington.** Buyers qualifying for this exemption must submit a Buyers Retail Sales Tax Exemption Certificate. Sales to buyers who are unable to provide the exemption certificate will be considered for use in Washington and therefore ineligible for the exemption. The exemption certificate form is available at: http://dor.wa.gov/Docs/Forms/ExcsTx/ExmptFrm/BuyersRetailTxExmptCert_E.pdf. This form is not to be used for purchases for resale.
- **Motor Vehicles Sold to Nonresidents** - Sales of motor vehicles (including trailers and campers, but not vehicles manufactured for exclusively off-road use) to nonresidents for use outside Washington are exempt even if delivered in Washington. [Wash. Rev. Code §82.08.0264 ; Wash. Admin. Code §458-20-177(1) ; Wash. Admin. Code §458-20-177(2) .]
To qualify for this exemption, one of two conditions must be met:
 1. The vehicle must be taken directly out of Washington from the point of delivery, under a Department of Licensing trip permit issued under RCW Chapter 46.16 or by a similar type of permit issued by another state.
 2. The nonresident buyer must register and license the vehicle at the delivery point under the laws of his or her home state, immediately affixing license plates from that state. In addition, the nonresident buyer must not use the vehicle in Washington for more than three months. This alternative is available only if the vehicle is not required to be licensed and registered under Washington law. [Wash. Rev. Code §82.08.0264(1) ; Wash. Admin. Code §458-20-177(1) ; Wash. Admin. Code §458-20-177(3)(a) .]

As proof of the exemption, the seller must take an affidavit from the buyer and fill out a dealer's certificate, and must remove any Washington license plates already affixed to the vehicle. Compliance with these requirements is prima facie evidence of the exemption, although the seller still must act in good faith (for example, by requiring payment of sales tax if he or she has independent knowledge that the buyer is actually a Washington resident). The seller must keep a copy of the buyer's currently valid non-Washington driver's license, or a copy of other official photo identification issued by a jurisdiction other than Washington. In addition, the seller must retain a copy of at least one other document showing the buyer's non-Washington address, as set out by rule. [Wash. Rev. Code §82.08.0264(2) ; Washington Special Notice 06/04/2007, 06/04/2007 ; Wash. Admin. Code §458-20-177(3)(c) .]

The buyers affidavit must be completed and is available at: <http://dor.wa.gov/Docs/forms/Misc/BuyersAff.pdf>

Sellers must also complete the Seller's Certificate of In-State Delivery: <http://dor.wa.gov/Docs/forms/Misc/SelCertInStDel.pdf>

TAXABLE SALES:

- **Tax Incentives for Generation of Electricity from Renewable Resources:**
Separate sales and use tax exemption applies to purchases of machinery and equipment that will be used directly to generate electricity using fuel cells, sun, wind, biomass energy, tidal and wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas in a facility that generates not less than one kilowatt of electricity based on the nameplate of the equipment.
Exemption amount - From July 1, 2011, through June 30, 2013, the exemption is a partial exemption in the form of a refund from the Department of Revenue for 75 percent of total sales or use tax paid to the seller when the sale occurs.

Washington Sales Tax Rules

- **Outbound sales, including Exports** - Retail sales made within Washington generally are taxable even if the buyers are located outside the state and will not use the property in the state. Physical delivery of the property to the buyer in Washington is what makes the sale take place in the state (and be taxable). Retail sales generally are not taxable if the seller delivers the property to the buyer outside Washington or into the export stream. [Wash. Admin. Code §458-20-193(6) .]

An outbound sale is not taxable if the seller delivers the property in Washington to a freight consolidator, freight forwarder or for-hire carrier, who then will arrange for delivery to the buyer outside the state. It does not matter whether the buyer or seller pays for transportation or which party bears the risk of loss. This exemption does not apply if the freight consolidator, freight forwarder or for-hire carrier has the authority to accept or reject the property on the buyer's behalf. Records must be kept to document the carrier's duties and substantiate this exemption. [Wash. Admin. Code §458-20-193(6) .]

In all circumstances there must be (a) a certainty of export and (b) the process of export must have started. The seller must obtain and keep any one of the following documentary evidence of export:

1. A bona fide bill of lading in which the seller is shipper/consignor and by which the carrier agrees to transport the goods sold to the foreign buyer/consignee at a foreign destination; or
2. A copy of the shipper's export declaration, showing that the seller was the exporter of the goods sold; or
3. Documents consisting of:
 - a. Purchase orders or contracts of sale which show that the seller is required to get the goods into the export stream, e.g., "f.a.s. vessel;" and
 - b. Local delivery receipts, tripsheets, waybills, warehouse releases, etc., reflecting how and when the goods were delivered into the export stream; and
 - c. When available, United States export or customs clearance documents showing that the goods were actually exported; and
 - d. When available, records showing that the goods were packaged, numbered, or otherwise handled in a way which is exclusively attributable to goods for export.

- **Motor Vehicles Sold to Residents** - Most sales of motor vehicles and related items are taxable in the same manner as sales of other tangible personal property. There is an additional 0.3% sales and use tax on the sale of motor vehicles, imposed in addition to the statewide rate and applicable local rates. [Wash. Rev. Code §82.08.020(1) ; Wash. Rev. Code §82.08.020(3) .] Motor vehicles licensed for highway use are subject to this tax, including automobiles, recreational vehicles, trucks, buses and motorcycles. Farm tractors, snowmobiles, and other off-road non-highway vehicles are excluded. As discussed above, sales of motor vehicles to nonresidents for use outside Washington are exempt even if delivered in Washington.

- **Sales to Out-of State and Foreign buyers if delivered in Washington** – As discussed above, retail sales made within Washington generally are taxable even if the buyers are located outside the state and will not use the property in the state. Physical delivery of the property to the buyer in Washington is what makes the sale take place in the state (and be taxable).