

# Credits

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We listed each tax credit definition below. If you need help determining the proper credit, contact us.

**Note:** The number inside the brackets [ ] corresponds to the credit ID number located on your excise tax return. This number is next to each credit definition.

Aerospace Manufacturer B&O Credit	Manufactured/Sold Inside Washington MATC
Aluminum Smelter Credits	Motion Picture Competitiveness Program Credit
Bad Debt Tax Credit	Multiple Activities Tax Credit (MATC)
Capital Gains B&O Tax Credit	New Employees in Manufacturing and Research & Development in Rural Counties B&O Tax Credit
Clean Alternative Fuel Commercial Vehicle and Vehicle Infrastructure Tax Credit	Other Credits
Commute Trip Reduction Credit	Pollution Control Credits
Customized Employee Workforce Training Credit	Public Utility Tax Credit for Billing Discounts/Qualifying Contributions to a Low Income Home Energy Assistance Fund
Destination Sourcing Tax Credit	Renewable Energy System Cost Recovery Credit
Employee Ownership Credit	Sales Tax Paid in Other States
Energy Efficiency Incentive Credit	Silicon Smelter Credits
Equitable Access to Credit Program B&O Tax Credit	Small Business B&O Tax Credit
External Multiple Activities Credits (MATC) – Taxes Paid to Other States	Syrup Tax Paid B&O Credit
Hazardous Substance Tax	Tobacco Products/Cigar Tax Credit
International Services Credit	Vapor Products Credit, All Other
Low-Income Community Solar Project Cost Recovery Credit	Vapor Solution Credit, Accessible Containers Greater than 5 mL Credit
Main Street Credit	Veterans Employer B&O Tax Credit
	Veterans Employer PUT Credit

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## Aerospace Credits

A business and occupation (B&O) tax credit available to:

1. [920]  
Manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or aerospace tooling for qualified preproduction development expenditures. An Annual Tax Performance Report must be filed by May 31 of each year after a year when a credit is taken. Electronic filing required.
2. [910]  
Manufacturers of commercial airplanes, component parts of commercial airplanes, or aerospace tooling equal to property/leasehold excise taxes paid on new buildings, land, and the increased value of renovated buildings used exclusively for manufacturing commercial airplanes, component parts of commercial airplanes, or aerospace tooling and property taxes paid on equipment eligible for the manufacturing machinery and equipment (M&E) exemption. Aerospace non-manufacturers equal to property/leasehold excise taxes paid on new buildings, land, and the increased value of renovated buildings used exclusively in aerospace product development or in providing aerospace services and property taxes on qualifying computer equipment and peripherals used primarily in aerospace product development or in providing aerospace services. Credit can only be taken after property taxes have been paid. An Annual Tax Performance Report must be filed by May 31 of each year after a year when a credit is taken. Electronic filing required.
3. [935]  
Aerospace Non-Manufacturers. Persons who develop, design, and engineer, but do not manufacture commercial airplanes and component parts thereof are eligible for a B&O tax credit for qualified preproduction development expenditures. The credit must be taken against taxes due for the same calendar year in which the qualified preproduction development expenditures are incurred. An Annual Tax Performance Report must be filed by May 31 of each year after a year when a credit is taken. Electronic filing required.

Aerospace Industry Incentives

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## Aluminum Smelter Credits

Aluminum smelters may qualify for:

1. a business and occupation (B&O) tax credit for property taxes paid, (credit ID 910) 82.04.4481
2. an exemption from the state portion of retail sales tax and use tax on tangible personal property and all construction at the aluminum smelter, and (credit ID 905) 82.08.805 and 82.12.805
3. an exemption from the natural gas use tax.

Persons selling power or gas to aluminum smelters: (credit IDs 890/895)

Qualifying companies selling electricity, natural gas, or manufactured gas to an aluminum smelter may receive a B&O or public utility tax credit provided the selling price is reduced by the amount of the credit. Complete and attach Credit for Energy Providers to Aluminum Smelters (pdf) form to Excise Tax Return. 82.16.0498; 82.04.4482

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## Bad Debt Tax Credit [801]

Bad debt tax credit is allowed for retail sales tax which has been remitted to the Department, but has become uncollectible and written off for IRS purposes. Completion of a Schedule B form is necessary only if the sales tax rate at the time of sale is different from the current rate. When the rates are the same, the deduction may be taken on retailing B&O [02] and retail sales [01] tax. WAC 458-20-196

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## Capital Gains B&O Tax Credit [997]

This credit is only available for B&O tax paid on the sale or exchange of long-term capital assets that are also subject to Washington's capital gains tax. The credit is equal to the amount of B&O tax paid on the sale or exchange of the long-term capital asset (RCW 82.04.4497).

**Note:** This credit is effective January 1, 2022. If you paid B&O tax on sales that qualified for the credit in 2022, you may amend the applicable returns.

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## **Clean Alternative Fuel Commercial Vehicle and Vehicle Infrastructure Tax Credit**

Businesses are eligible for a business and occupation (B&O) or public utility (PUT) tax credit based on:

- Purchases of new commercial vehicles and qualifying used commercial vehicles that are principally powered by a clean alternative fuel,
- Leases of new commercial vehicles that are principally powered by a clean alternative fuel (Effective July 1, 2016), or
- Costs to modify a commercial vehicle to be principally powered by a clean alternative fuel, including the purchase of tangible personal property incorporated into the vehicle and labor charges.
- Purchases of alternative fuel vehicle infrastructure component parts, as well as related installation and construction costs.

Special Notice - Clean alternative fuel commercial vehicles and vehicle infrastructure tax credits expanded. This tax preference is subject to public disclosure 24 months after it was claimed. See Tax Preference Transparency for more information on this public disclosure.

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## **Commute Trip Reduction Credit [820]**

Employers who provide commute trip reduction (CTR) incentives to their employees are eligible for a credit against their B&O tax or public utility tax (PUT) due through June 30, 2025. Please note the accrual period was not extended for property managers. The accrual period for a property manager that provides incentives to persons employed at a worksite managed by the property manager expired on December 31, 2023.

An application must be submitted through My DOR between January 1 and January 31, following the calendar year in which the applicant made CTR incentive payments. This tax preference is subject to public disclosure 24

months after it was claimed. Special Notice - Commute Trip Reduction Tax Credit Extended to June 30, 2025

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## **Customized Employee Workforce Training Program [940]**

Effective June 7, 2006, businesses that participate in the Washington Customized Training Program may take a B&O tax credit for 50 percent of their payment to the training program. The tax credit may not exceed the B&O tax amount due. Credits may be carried over until July 1, 2026. Electronic filing of all returns, documents, and surveys is required. To document the credit, the Customized Training Credit Worksheet must be completed and submitted with the return. The credit is itemized on the Credits section of the excise tax return. Businesses must also file an Annual Tax Performance Report with the Department of Revenue by May 31 of the following year. RCW 82.04.449; Special Notice - B&O Tax Credit for Washington Customized Training Program Extended

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## **Destination Sourcing Tax Credit [602]**

This credit applies only to Washington retail businesses that ship or deliver products they sell to in-state locations.

Beginning July 1, 2008, Washington businesses that ship or deliver goods in-state are required to charge sales tax based on where the customer receives the goods - the destination of the delivery. To help retailers with this change, eligible retail businesses may receive up to \$1,000 in tax credits to offset any necessary changes to their accounting system, point of sale, or other systems. Retail businesses are eligible if they meet all of the following requirements:

- Registered with the Department of Revenue prior to July 1, 2008
- Physical presence in Washington
- Gross sales for Washington State is less than \$500,000 annually
- Receive at least 5% of their taxable sales income from deliveries
- Receive at least 1% of their taxable sales income from deliveries outside the jurisdiction where they collect the most sales tax

## How to calculate and report the credit:

- Calculate total costs incurred one year before or after July 1, 2008, to comply with tax sourcing changes. Costs include goods and services purchased and labor costs.
- Credit is the lesser of total costs incurred or \$1,000. For example, if the total cost incurred was \$850, the maximum credit allowed is \$850. If the total cost incurred was \$1,500, the amount of the credit is limited to \$1,000.
- Credit taken per return cannot exceed the total of B&O taxes plus the state portion of the retail sales tax, minus any other credits. However, any remaining credit may be carried over to the next reporting period until used.

For example, total costs incurred equal \$850. The maximum credit allowed is \$850. On the July 2008 tax return, total taxable retail sales equal \$8,000.

State portion of retail sales = \$520

B&O taxes = \$37.68

Small business B&O credit (SBC) = \$35

B&O tax due less SBC = \$2.68

B&O taxes due + state portion of retail sales tax = \$522.68

Sourcing tax credit allowed on the July 2008 tax return = \$522.68

\$327.32 may be carried over to the next reporting period.

- If at least a portion of the credit is not claimed on a return period within one year after the effective date of July 1, 2008, the credit is no longer available. RCW 82.32.755

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## Employee Ownership Credit [2005]

Qualified businesses converting to an employee ownership structure may take a credit from the B&O tax for the costs related to the conversion. An application is required. See the special notice Employee ownership program B&O tax credit.

Credits can be earned for tax reporting periods starting on or before June 30, 2029. No credits can be claimed on returns for filing periods starting on or after July 1, 2030.

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### **Energy Efficiency Incentive Credit [999]**

Effective July 1, 2021, a public utility tax credit is available for qualifying utilities that provide incentive payments to certain owners of qualifying covered commercial buildings or multifamily residential buildings. Public utility tax credit for payments made to owners meeting the state energy performance standard.

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### **Equitable Access to Credit Program - B&O tax Credit**

The credit is available to persons that make contributions to the Equitable Access to Credit Program through the Department of Commerce. The credit has an individual cap of \$1 million and total statewide cap of \$8 million per calendar year and is available on a first-come basis (RCW 82.04.4499; Tax incentive program – Equitable Access to Credit B&O Tax Credit ).

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### **External Multiple Activities Credits (MATC) – Taxes Paid to Other States**

These credits are allowed for businesses that pay a qualifying gross receipts tax to other states on activities also taxable in Washington. WAC 458-20-19301; ETA 3085.2021 – Eligibility of Taxes for Multiple Activities Tax Credits (MATC).

### **Manufactured Outside Washington MATC [67]**

The law offers this credit to extractors or manufacturers doing business and paying qualifying gross receipts taxes on their extracting or manufacturing activity. This activity takes place in other states or taxing jurisdictions that are also taxable in Washington.

### **Sold Outside Washington MATC [68]**

The law offers this credit to extractors or manufacturers doing business and paying qualifying gross receipts taxes on their selling activity in other states or taxing jurisdictions that are also taxable in Washington.

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### **Hazardous Substance Tax [805]**

Hazardous substance tax credit is allowed for the tax paid on the value of fuel carried from this state in the fuel tank of airplanes, ships, trucks, or other vehicles. In effect, this gives a tax credit for fuel that was taxed, but not used, in Washington. WAC 458-20-252.

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### **International Services Credit [855]**

Businesses engaging in certain international services and creating and filling new employment positions in Community Empowerment Zones, or contiguous designated census tracts meeting certain unemployment and poverty criteria, may take the international services B&O tax credit. International services must be provided to persons domiciled outside the United States or be for use primarily outside this country. See Tax topic - International service activities B&O tax credit - Q&A; RCW 82.04.44525

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### **Low-income community solar project cost recovery credit [2003]**

Beginning July 1, 2022, light and power businesses are allowed a PUT credit for incentive payments made to low-income community solar projects. Participating community solar projects can begin applying for precertification on July 1, 2022, and must be certified by June 30, 2023.

The maximum annual PUT credit that can be claimed during a fiscal year is 1.5% of your business's taxable Washington power sales generated in calendar year 2014, or \$250,000, whichever is greater.



The right to earn this tax credit expires June 30, 2036. This credit may not be claimed after June 30, 2037.

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### **Main Street Credit [960/961]**

Businesses can apply electronically for a credit against the B&O tax and public utility tax equal to 75% of approved contributions made to a Main Street Organization or to the Main Street Trust Fund.

In order to receive a credit, the tax credit must be applied for and approved prior to making a contribution. For more information about the program, visit our tax incentives page and Chapter 82.73 RCW.

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### **Manufactured/Sold Inside Washington MATC [69]**

The law offers this credit to a business that both extracts and/or manufactures and sells a product at wholesale or retail in Washington.

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### **Motion Picture Competitiveness Program Contributors B&O Credit [950]**

Persons who make cash contributions to an approved Motion Picture Competitiveness Program (MPCP) may qualify for a B&O tax credit. MPCP is a nonprofit organization whose sole purpose is to revitalize the state's economic, cultural, and educational standing in the national and international market of motion picture production. Currently, Washington Filmworks is the only approved organization. The credit has a total statewide annual cap of \$15 million and is available on a first-come basis (RCW 82.04.4489; Tax incentive program - Motion Picture Competitiveness Program B&O Tax Credit).

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## Multiple Activities Tax Credit (MATC) [800]

When a business performs more than one taxable activity for the same product, it reports each activity under the proper classification, but takes the MATC credit so B&O tax is not paid twice on the same amount. For instance, a business that both manufactures and sells a product at wholesale in Washington does not pay both manufacturing and wholesaling B&O tax. A credit is allowed so that B&O tax is paid only once. This also applies to a business that has paid a gross receipt tax to another state. Completion of the Multiple Activities Tax Credit, Schedule C is necessary each time credit is claimed. WAC 458-20-19301

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## New Employees in Manufacturing and Research & Development in Rural Counties B&O Tax Credit

A credit against B&O taxes is available to businesses that have a business project that is manufacturing or research & development, is located in either a rural county or a Community Empowerment Zone (CEZ) and meets a 15% hiring increase in total employees (at that facility) from the previous four quarters and maintain the new positions for a year.

Applications must be received within 90 days after the first hire date. For more information on the credit, see Tax credit for new employees in manufacturing and research & development; Tax incentive program - B&O Tax Credit for new employees in manufacturing and research & development in rural counties; WAC 458-20-240.

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## Other Credits [810]

*Credit Memorandum:* If you receive a credit memorandum from the Department of Revenue for previously overpaid taxes, write the credit amount on the Other Credits line of the tax return, and attach the Credit Memorandum.

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## Pollution Control Credits

The state made a credit available against B&O tax, public utility tax, or use tax for previously paid taxes and/or in lieu of accepting the tax exemptions. These credits are only available to issued certificate holders. We do not allow new applications after 1981.

### **B&O tax [805]**

The state made a credit available against B&O tax for up to 50 percent of the cost of required pollution control facilities. You may take up to 2 percent of the total credit each year.

### **Public utility tax [836]**

The state made a credit available against public utility tax for up to 50 percent of the cost of required pollution control facilities. You may take up to 2 percent of the total credit each year.

### **Use tax [837]**

The state allows a credit against use tax for up to 50 percent of the cost of required pollution control facilities. You may take up to 2 percent of the total credit each year.

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## **Public Utility Tax Credit for Billing Discounts/Qualifying Contributions to a Low Income Home Energy Assistance Fund [880]**

Public Utility Tax credit is allowed for billing discounts and qualifying contributions made by light and power businesses or gas distribution businesses. The credit is itemized on the Credits section of the excise tax return. Special Notice - Public utility tax credits for billing discounts and qualifying contributions. For more information, please call 360-705-6218 or 360-705-6705.

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## Renewable energy system cost recovery credit [925]

Light and power businesses can take a public utility tax (PUT) credit for incentive payments to community solar projects (CSPs), shared commercial projects, or renewable energy systems that produce customer-generated electricity.

**Renewable energy system** means a solar energy system, an anaerobic digester, or a wind generator used to produce electricity (RCW 82.16.110).

The maximum PUT credit during a fiscal year is 1.5% of your business's taxable Washington power sales generated in calendar year 2014, or \$250,000, whichever is greater for incentive payments made for the following:

- Renewable energy systems that are certified for incentive payment as of June 30, 2020.
- Community solar and shared commercial projects that are under precertification (RCW 82.16.165(7)(b)) as of June 30, 2020, and that are certified for incentive payment as of June 30, 2022.

The credit may not exceed the tax due.

The right to earn this tax credit expires June 30, 2029. Credits may not be claimed after June 30, 2030.

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## Sales Tax Paid in Other States [98]

You may take a credit against Washington's use tax for sales or use tax you paid to another state when the property was purchased or first used outside of Washington. RCW 82.12.035

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## Silicon Smelter Credits

Silicon smelters may qualify for an exemption from the brokered natural gas use tax.

Persons selling power or gas to silicon smelters: (credit IDs 892/893)

Qualifying companies selling electricity, natural gas, or manufactured gas to a silicon smelter may receive a B&O or public utility tax credit, as long as the selling price is reduced by the credit amount.

## Small Business B&O Tax Credit

Businesses below a certain B&O tax liability are entitled to a credit. The credit varies depending on the total amount of B&O tax due for all classifications after the business takes other available B&O tax credits. There are two credit tables:

### You can take the Small Business Tax Credit [720] if:

- your taxable income was **50% or more** reported under Service and Other Activities, Gambling Contests of Chance, For Profit Hospitals, and/or Scientific R&D **and** your:

Filing frequency is:	Total B&O tax liability for filing periods ending before Jan. 1, 2023, is below:	Total B&O tax liability for filing period beginning on or after Jan. 1, 2023, is below:
Monthly	\$141	\$320
Quarterly	\$421	\$960
Annual	\$1,681	\$3,840

### You can take the Small Business Tax Credit [815] if:

- your taxable income was **less than 50%** reported under Service and Other Activities, Gambling Contests of Chance, For Profit Hospitals, and/or Scientific R&D **and** your:

Filing frequency is:	Total B&O tax liability for filing periods ending before Jan. 1, 2023, is below:	Total B&O tax liability for filing period beginning on or after Jan. 1, 2023, is below:
Monthly	\$71	\$110
Quarterly	\$211	\$330
Annual	\$841	\$1,320

When you file electronically, our system will automatically calculate your small business credit. The tables are also available on our Forms page.

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## Syrup Tax Credit [945]

Effective July 1, 2006, retailers that pay syrup tax when buying carbonated beverage syrup to make carbonated fountain drinks can claim a B&O tax credit. The portion of the syrup tax allowed as a credit increases each year as follows: July 1, 2006, to June 30, 2007, – 25%; July 1, 2007, to June 30, 2008, – 50%; July 1, 2008, to June 30, 2009, – 75%; After June 30, 2009, – 100%. The credit must be claimed in the tax reporting period in which the syrup was purchased. The B&O tax credit can not be refunded. No credit is allowed for syrup tax paid prior to July 1, 2006. The credit is itemized on the Credits section of the excise tax return. (Substitute Senate Bill 6533, Chapter 245, Laws of 2006) RCW 82.04.4486

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## Tobacco Products/Cigar Tax Credit [930]

Distributors who first possess tobacco products in the State of Washington are allowed to take credits for:

- **Interstate and foreign sales** - Available to distributors of tobacco products sold to retailers and wholesalers outside the state for resale. This credit may be taken only for the amount of tobacco products tax reported and previously paid on such products. No credit may be taken for a sale of tobacco products from a stock of goods in this state to a consumer outside the state. See RCW 82.26.110.
- **Returned or destroyed goods** - May be taken for tax previously paid when tobacco products are destroyed or returned to the manufacturer. Credits claimed against tax owed or as a refund of tax paid must be supported by documentation.
- **Sales to the United States Government** - Available to distributors of tobacco products sold to the US Government, or any of its agencies or instrumentalities. This credit may be taken only for the amount of tobacco products tax reported and previously paid on such products.
- **Sales to Indian Tribal Organizations** - Available to distributors of tobacco products sold to any Indian Tribal Organizations. This credit may

be taken only for the amount of tobacco products tax reported and previously paid on such products

Distributors must document the credits. The documentation should conform to requirements outlined in WAC 458-20-185. For help calculating your credit, use the Tobacco Products/Cigar Tax Credit Worksheet (pdf). The credit is itemized on the Credits section of the excise tax return.

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### **Vapor Products Credit, All Other [993]**

Businesses who first possess vapor products that are not accessible containers greater than 5 mL are allowed to take the All Other Vapor Products Credit for vapor products tax previously paid when the products are:

- Sold and shipped outside Washington
- Sold to the United States Government
- Sold to a federally recognized tribe or enrolled tribal member
- Returned to the manufacturer
- Destroyed

The credit is claimed on the excise tax return. You must keep documentation to substantiate this credit for five years. No credit is available for vapor products given away for free.

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### **Vapor Solution Credit, Accessible Containers Greater than 5 mL Credit [994]**

Businesses who first possess vapor products that are accessible containers greater than 5 mL are allowed to take the Accessible Containers of Vapor Solution Greater than 5 mL Credit for vapor products tax previously paid when the products are:

- Sold and shipped outside Washington
- Sold to the United States Government
- Sold to a federally recognized tribe or enrolled tribal member
- Returned to the manufacturer

- Destroyed

The credit is claimed on the excise tax return. You must keep documentation to substantiate this credit for five years. No credit is available for vapor products given away for free.

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### **Veterans Employer B&O Tax Credit (Effective October 1, 2016, expired July 1, 2023) [970]**

A business and occupation (B&O) tax credit is available to businesses that employ an unemployed veteran in a permanent full-time position located in Washington for at least two consecutive full calendar quarters on or after October 1, 2016, and before June 30, 2022.

The credit equals 20 percent of the wages and benefits the business paid to or on behalf of the qualified employee not to exceed \$1,500 for that employee. There is no limit on the total credit an employer may receive. However, the total statewide credits may not exceed \$500,000 per fiscal year. Credits are available on a first-in-time basis.

Credits are claimed through the Department's E-file system. No application is required. The business must file an Annual Tax Performance Report by May 31 of the year following the year a credit is claimed. RCW 82.04.4498 and Special Notice - Credit for hiring unemployed veterans.

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### **Veterans Employer PUT Credit (Effective October 1, 2016, expired July 1, 2023) [971]**

A public utility tax (PUT) credit is available to businesses that employ an unemployed veteran in a permanent full-time position located in Washington for at least two consecutive full calendar quarters on or after October 1, 2016, and before June 30, 2022.

The credit equals 20 percent of the wages and benefits the business paid to or on behalf of the qualified employee not to exceed \$1,500 for that employee.




There is no limit on the total credit an employer may receive. However, the total statewide credits may not exceed \$500,000 per fiscal year. Credits are available on a first-in-time basis.

Credits are claimed through the Department's E-file system. No application is required. The business must file an Annual Tax Performance Report by May 31 of the year following the year a credit is claimed. RCW 82.16.0499 and Special Notice - Credit for hiring unemployed veterans.



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