

# Warehouse Tax Incentives

The warehouse tax remittance incentive allows businesses to exempt 100% of the eligible construction costs of qualified warehouses, distribution centers, and grain elevators from the state's portion of the retail sales or use tax (6.5%). The incentive also allows for a 50% exemption from the state's portion of the retail sales or use tax on purchases and installation of material-handling and racking equipment. Cold storage warehouses may qualify for 100% exemption on eligible construction costs and purchases of material-handling and racking equipment. Eligible businesses receive the exemption in the form of a remittance or payment from the Department. (RCW 82.08.820)

There is no application required before beginning construction or acquiring machinery and equipment. However, there are specific requirements for eligibility.

## General Eligibility

Businesses and facilities meeting the following criteria may be eligible for the incentive:

- Wholesalers or third party warehouse owners, who own or operate warehouses or grain elevators
- Retailers, who own or operate distribution centers
- Warehouses and distribution centers that are 200,000 square feet or more
- Warehouses and distribution centers that store finished goods

- Cold storage warehouses that are 25,000 square feet or more (effective July 1, 2007)

- Grain elevators with 1,000,000 bushels or more of grain storage capacity

If you have any questions about your eligibility, we encourage you to contact us.

For further information regarding qualified business activities and purchases, see our "Definitions" section at the end of this brochure.



## Helpful Links

General Tax Information

<http://dor.wa.gov>

Tax Incentives

<http://dor.wa.gov> click on "Find taxes and rates"



# Costs Eligible for Tax Exemption

## Warehouse Construction Costs Eligible for Exemption

- Construction of a new warehouse 200,000 square feet or more or expansion of an existing warehouse by at least 200,000 square feet qualify for 100% exemption. The existing facility cannot be counted in the square footage calculation.
- Construction of a new cold storage warehouse 25,000 square feet or more or expansion of an existing cold storage warehouse by at least 25,000 square feet qualify for 100% exemption. The existing facility cannot be counted in the square footage calculation. (Effective July 1, 2007)
- Construction of the building, including storage space, office space, lunchrooms, restrooms, and other space within the warehouse necessary to the operation of the warehouse.
- Loading docks and other space attached to the building and used to handle finished goods.
- Excavation of the footprint and other costs incurred relative to foundation work.

## Other Qualifying Uses

- A warehouse or distribution center with other taxable activities if at least 200,000 square feet is dedicated to the qualifying use. (Does not include retail sales or manufacturing activities.)
- A cold storage warehouse with other taxable activities if at least 25,000 square feet is dedicated to the qualifying use. (Does not include retail sales or manufacturing activities.)
- Construction of a building that will be leased, providing the lessee is a qualified tenant and the economic gain is passed on to the lessee through reduced rent.

## Grain Elevator Construction Cost

- A grain elevator with the capacity of 1-2 million bushels qualifies for a 50% exemption.
- A grain elevator with the capacity of at least 2 million bushels qualifies for a 100% exemption.
- Expansion to an existing facility that adds 1 million bushel capacity can qualify for the exemption. The existing facility cannot be counted in calculating the bushel capacity of the expansion.

## Material-Handling Equipment/Racking Equipment Acquisition

- Warehouses, distribution centers, and grain elevators are eligible for a 50% exemption on the purchase of material-handling equipment and racking equipment. Includes labor and services for installing, repairing, cleaning, altering or improving the equipment. The exemption is available to:
  - Existing warehouses and distribution centers with at least 200,000 square feet or expand by 200,000 square feet;
  - Existing grain elevators as long as the capacity is greater than one million bushels.
- Cold storage warehouses are eligible for 100% exemption on the purchase of material-handling equipment and racking equipment. Includes labor and services for installing, repairing, cleaning, altering, or improving the equipment. The exemption is available to:
  - Existing cold storage warehouses with at least 25,000 square feet or expand by 25,000 square feet or more.

## What Is Not Eligible?

- Landscaping, parking lots and storage yards—they are not considered part of the warehouse.
- Renovation, remodeling, or repair to an existing warehouse or grain elevator that does not include expansion as stated above.
- Facilities where retail sales or manufacturing occur.
- Speculative building of a warehouse when there is not a qualified tenant/lessee under contract to lease the facility.

## Who Is Not Eligible?

- Farmers who make wholesale sales of agricultural products.
- Manufacturers if any part of a manufacturing operation takes place in the warehouse. For example, if the storage equipment in the warehouse qualifies under the manufacturing machinery and equipment sales tax exemption, construction of the warehouse does not qualify for the warehouse tax exemption.



# Definitions

## How the Exemption Works

- At the time of purchase, the business pays the state and local retail sales or use tax to the contractor or other vendor. To receive the exemption, each quarter the business will file a Warehouse Tax Incentive Application of Remittance with the Department of Revenue in which they state the total amount of their eligible expenditures. Businesses are limited to one application per calendar quarter. The application is available on our web site at <http://dor.wa.gov> under "Get a form or publication."
- The Department of Revenue will approve or deny an application based on specific eligibility qualifications. The exempted amount approved will be sent to the business at the end of the calendar quarter following the quarter the application was submitted. The exemption is limited to the state's portion of the retail sales or use tax (6.5 percent).

## Reporting/Documentation

- Warehouse Tax Incentive Application of Remittance filed each calendar quarter with the Department.
- No Annual Survey/Report
- Electronic filing is not required
- The business must retain adequate records to enable the Department to determine whether the equipment or construction meet the requirements of this tax incentive. Proper records includes proof of tax paid; documents describing the material-handling equipment and racking equipment; location and size of warehouses and grain elevators; and construction invoices and documents.
- RCW 82.08.820

**Cold Storage Warehouse:** Storage warehouse owned or operated by a wholesaler or third-party warehouse as those terms are defined in RCW 82.08.820 to store fresh and/or frozen perishable fruits or vegetables, dairy products, seafood products, or any combination, at a desired temperature to maintain the quality of the product for orderly marketing.

**Finished Goods:** Tangible personal property intended for sale by a retailer or wholesaler. "Finished goods" does not include agricultural products stored by wholesalers, third-party warehouses, or retailers if the storage takes place on the land of the person who produced the agricultural product. Logs, minerals, petroleum, gas and other extracted products stored as raw materials or in bulk are not finished goods.

**Eligible Costs:** This includes materials, labor and services associated with the construction of a warehouse or grain elevator.

**Grain elevator:** A structure used for storage and handling of grain in bulk.

**Material-Handling and Racking Equipment:** Equipment in a warehouse or grain elevator used primarily (more than 50 percent of the time) to handle, store, organize, convey, package, or repack finished goods or grain. It includes tangible personal property with a useful life of longer than one year that becomes an ingredient or component part of the equipment, including repair or replacement parts. Forklifts and off-road vehicles used to lift or move tangible personal property also qualify. Vehicles that can be operated legally on streets and roads are not eligible. It does not include equipment in restrooms, lunchrooms, offices or other nonwarehousing space. Only items used to handle or store the finished goods or grain are eligible for the exemption.

"Material-handling equipment" includes but is not limited to: Conveyers, carousels, lifts, positioners, pick-up-and-place units, cranes, hoists, mechanical arms, and robots; mechanized systems, including containers that are an integral part of the system, whose purpose is to lift or move tangible personal property; and automated handling, storage, and retrieval systems, including

computers that control them, whose purpose is to lift or move tangible personal property.

"Racking equipment" includes, but is not limited to, conveying systems, chutes, shelves, racks, bins, drawers, pallets, and other containers and storage devices that form a necessary part of the storage system.

**Retail Distribution Center:** A facility that is operated by a person who makes retail sales of tangible personal property (as defined in Chapter 82.04 RCW) and who owns or operates a warehouse to store their own retail goods. The facility must be used exclusively by a retailer for the storage and distribution of finished goods to retail outlets of the retailer.

**Square Footage:** Square footage is calculated by multiplying the length and width of each floor of a specific warehouse. The entire footprint of the building, including loading docks is used in the calculation.

**Third Party Warehouse:** A person operating a cold storage warehouse or storage warehouse and is taxable under the Warehousing B&O tax classification.

**Warehouse:** An enclosed building or structure in which finished goods are stored. A warehouse building or structure may have more than one storage room and more than one floor. Office space, lunchrooms, restrooms, and other space within the warehouse and necessary for the operation of the warehouse are considered part of the warehouse as are loading docks and other such space attached to the building and used for handling of finished goods. Landscaping and parking lots are not considered part of the warehouse. A storage yard is not a warehouse, nor is a building in which manufacturing takes place.

**Wholesaler:** A person who makes wholesale sales (as defined in Chapter 82.04 RCW) of tangible personal property. Farmers who make wholesale sales of agricultural products are excluded from this special definition of wholesaler.

# Department of Revenue Taxpayer Assistance

## Local Office Locations

1904 Humboldt St Suite A  
PO Box 1176  
BELLINGHAM 98227-1176  
(360) 676-2114

2101 4th Ave Suite 1400  
SEATTLE 98121-2300  
(206) 956-3000

734 E First St Suite B  
PO Box 400  
PORT ANGELES 98362-0064  
(360) 417-9900

20819 72nd Ave South  
Suite 680  
KENT 98032  
(253) 437-3440

6500 Linderson Way SW  
Suite 102  
TUMWATER 98501  
(360) 705-6676

8008 NE 4th Plain Blvd  
Suite 320  
PO Box 1648  
VANCOUVER 98668-1648  
(360) 256-2060

9930 Evergreen Way Suite Y-15  
EVERETT 98204-3893  
(425) 356-4800

1330 N Washington Suite 5600  
SPOKANE 99201-2456  
(509) 327-0200

630 N Chelan Ave Suite B-3  
PO Box 220  
WENATCHEE 98807-0220  
(509) 663-9714

3315 South 23rd St Suite 300  
PO Box 111180  
TACOMA 98411-1180  
(253) 382-2000

3703 River Rd Suite 345  
YAKIMA 98902-7325  
(509) 575-2783

1657 Fowler St  
PO Box 140  
RICHLAND 99352  
(509) 734-7526

## For More Information

If you have questions about the warehouse tax remittance incentive, please contact:

### Taxpayer Information and Education

Gary Davis, Manager  
(360) 705-6640  
garyda@dor.wa.gov

For help completing the Warehouse Tax Incentive Application for Remittance, please contact:

### Taxpayer Account Administration

Bev Albritton  
(360) 902-7089  
(360) 902-7175  
beva@dor.wa.gov

## Web Site

<http://dor.wa.gov>

The information contained in this fact sheet is current as of the date of this publication and provides general information about the warehouse tax incentive. It does not cover every aspect of the incentive, nor does it alter or supersede any administrative regulations or rulings issued by the Department.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715.

Teletype (TTY) users please call 1-800-451-7985.