



## **Tax Incentives: Warehouse remittance**

The warehouse tax remittance incentive allows for a 100% exemption from the state's portion (6.5%) of the retail sales or use tax paid on the eligible construction costs for qualified warehouses, grain elevators, and distribution centers.

The incentive also allows for a 50% exemption from the state's portion of the retail sales or use tax paid on purchases and installation of material-handling and racking equipment.

Eligible businesses receive the exemption in the form of a remittance from the department (RCW 82.08.820). The application is filed once retail sales tax or use tax has been paid for a calendar quarter.

### **Available to:**

The following businesses may be eligible for the incentive:

- wholesalers or third party warehouse, who own or operate warehouses or grain elevators
- retailers who own or operate distribution centers

If you have any questions about your eligibility, we encourage you to contact us at 360-705-6217.

### **Qualifying activity**

Sales or use tax paid on construction or expansion of the following:

- warehouse or distribution center by at least 200,000 square feet
- grain elevator of at least one million but less than two million bushel storage capacity qualifies for a 50% exemption
- grain elevator of two million or more bushel storage capacity qualifies for a 100% exemption
- warehouse or distribution center with other taxable activities qualifies if at least 200,000 square feet is dedicated to the qualifying use (other activities may not include retail sales or manufacturing activities)
- leased qualifying facility, as long as the lessee is a qualified tenant and receives reduced rent

Sales or use tax paid on material-handling and racking equipment (MHRE) for a qualifying facility above:

- Warehouses, grain elevators and distribution centers are eligible for a 50% exemption.
  - This includes labor and services for installing, repairing, cleaning, altering or improving the equipment.

### **What is not eligible for a remittance?**

- landscaping, parking lots and storage yards

- renovation, remodeling, or repair to an existing warehouse or grain elevator unrelated to expansion
- facilities where retail sales or manufacturing occurs
- facilities that directly fill retail orders
- speculative building of a warehouse without 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

## How does the exemption work?

- The business pays the state and local retail sales or use tax to the contractor or other vendor at the time of purchase.
- To receive the exemption, the business submits **one warehouse tax incentive application** for remittance packet to the department each quarter including:
  - total amount of their eligible expenditures
  - supporting documentation
  - electronic spreadsheet

For your convenience, we have compiled facility specific instructions containing the following:

- application form
- electronic spreadsheet detailing:
  - invoice number
  - invoice date
  - invoice payment date
  - check number
  - vendor name
  - taxable amount
  - item description
  - purpose of item
  - percentage applicable
- confidential tax information authorization (CTIA) form

All files are available on the department's [Incentives programs landing page](#), under the Warehouse incentive programs heading.

The department will approve or deny an application based on specific eligibility qualifications. The approved exempted amount will be sent to the business by the end of the calendar quarter following the quarter the application was submitted.

The business must retain adequate records to enable the department to determine whether the equipment or construction meet the requirements of this tax incentive in accordance with RCW 82.08.820.

## Documentation needed to verify eligibility:

- completed application
- copies of the following if applicable:
  - blueprints (identifying location and size of facility)
  - building permits (foundation/ building)
  - invoices
  - construction contracts
  - proof of invoices and tax paid (copies of checks or bank statements, certification of use tax paid)
  - lease agreement passing the economic benefit to lessee
  - completed spreadsheet
  - a list of what items are included in the general condition charges

## Recommended submission instructions

We highly recommend submitting the application and documentation electronically through MY DOR web messaging in the following format:

- 1 PDF document of the Warehouse Tax Incentive remittance application
- 1 PDF document of the building permit (with first application only)
- 1 PDF document of the blue prints (with first application only)
- 1 PDF document of lease agreement, if applicable (with first application only)
- 1 PDF of all invoices and payment
  - Organized as Invoice followed by the proof of payment for that invoice...next invoice and proof of payment for that invoice
  - Proof of payment of invoice and sales or use tax paid may include checks, bank statements, receipts, or certification of use/deferred sales tax paid
- DOR standardized electronic spreadsheet
  - List invoices on spreadsheet in the same order as the invoice/payment PDF.

## Definitions

**Warehouse** means 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.

Things that are included in the definition of a warehouse:

- office space, lunchrooms, restrooms, and other spaces within the warehouse and necessary for the operation of the warehouse are considered part of the warehouse
- loading docks and other such space attached to the building and used for handling of finished goods

Things **not** included:

- landscaping and parking lots
- a storage yard

- a building in which manufacturing takes place

**Distribution center** means a warehouse that is used exclusively by a retailer solely for the storage and distribution of finished goods to retail outlets of the retailer.

Distribution center does **not** include a warehouse at which retail sales occur.

**Grain elevator** means a structure used for storage and handling of grain in bulk.

**Third party warehouse** means a person operating a storage warehouse and is taxable under the Warehousing B&O tax classification.

**Wholesaler** means 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.

**Material-handling and racking equipment** means equipment in a warehouse or grain elevator used primarily (more than 50 percent of the time) to handle, store, organize, convey, package, or repackage 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
- repair or replacement parts
- forklifts and off-road vehicles used to lift or move tangible personal property

It does **not** include:

- vehicles that can be operated legally on streets and roads
- equipment in restrooms, lunchrooms, offices or other non-warehousing 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;
- 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.

**Finished goods** means 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

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

**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.

## For more information

On our website:

1. Select Find taxes & rates
2. Choose Tax incentives from the drop-down menu.
3. Click Tax incentive programs.
4. Choose Warehouse Incentive Programs.

## For help completing the Warehouse Tax Incentive Application for Remittance:

Call Taxpayer Account Administration, Reseller Permit Team Hunt Group at 360-705-6217 or send a web message through My DOR from your excise tax account with the topic of **Warehouse Tax Incentive Application**.

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.

For tax assistance or to request this document in an alternate format, visit [dor.wa.gov](http://dor.wa.gov) or call 360-705-675. Teletype (TTY) users may use the Washington Relay Service by calling 711.