Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE JULY 2, 2007

"Cold Storage Warehouse" Added to Warehouse Sales Tax Remittance Program

Engrossed House Bill 3159, Chapter 354, Laws of 2006, expands the sales tax remittance program for wholesalers and third-party warehousers to include cold storage warehouses of at least 25,000 square feet. **Effective July 1, 2007**. (RCW 82.08.820.)

"Cold storage warehouse" means a storage warehouse owned or operated by a wholesaler or third-party warehouser to store fresh and/or frozen perishable fruits or vegetables, dairy products, seafood products, or any combination thereof, at a desired temperature to maintain the quality of the product for orderly marketing.

"Wholesaler" means a person who makes "sales at wholesale" of tangible personal property. By statute, it does not include farmers making wholesale sales of agricultural products.

"Third-party warehouser" means a person taxable under the warehousing classification of the business and occupation (B&O) tax.

Qualifying activities:
Wholesalers or third-party warehousers who own or operate warehouses, cold storage warehouses, or grain elevators and retailers who own or operate distribution centers, and who have paid the state and local sales taxes on:

- Material-handling and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment are eligible for an exemption in the form of a remittance. The amount of the remittance is dependent on the qualifying activity and is computed on the **state share** of sales tax (6.5%); or

- Construction of a warehouse, cold storage warehouse, distribution center, or grain elevator is eligible for an exemption in the form of a remittance. This includes materials, and labor and services associated with the construction. The amount of the remittance is dependent on the qualifying activity and is computed on the **state share** of sales tax (6.5%).

"Construction" means the actual construction of a warehouse or grain elevator that did not exist before the construction began. "Construction" includes expansion if the expansion adds at least two hundred thousand square feet of additional space to an existing warehouse, or distribution center; 25,000 square feet of additional space to a cold storage warehouse, or additional storage capacity of at least one million bushels to an existing grain elevator. "Construction" **does not include** renovation, remodeling, or repair.

Amount of remittance:
- Grain elevators with bushel capacity of one million but less than two million:
  - 50% of the amount of state sales tax paid.

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- Grain elevators with bushel capacity of two million or more:
  - ✦ 100% of the amount of state sales tax paid for qualifying construction, materials, service, and labor, and
  - ✦ 50% of the amount of state sales tax paid for qualifying material-handling equipment and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment.
- Warehouses or distribution centers with 200,000 square feet or more, other than cold storage warehouses:
  - ✦ 100% of the amount of state sales tax paid for qualifying construction, materials, service, and labor, and
  - ✦ 50% of the amount of state sales tax paid for qualifying material-handling equipment and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment.
- Cold storage warehouses with 25,000 square feet or more:
  - ✦ 100% of the amount of tax paid for qualifying construction, materials, service, and labor, and
  - ✦ 100% of the amount of tax paid for qualifying material-handling equipment and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment.

Application for remittance

First, the business must pay the state and local sales taxes when purchasing qualified construction and material-handling and racking equipment. To receive the exemption, each quarter the business will file a *Warehouse Tax Incentive Application for 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 online 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).

For additional information, see our updated brochure *Warehouse Tax Incentive* available at http://dor.wa.gov under “Get a form or publication.”

If you need help completing the Application for Remittance, please contact Bev Albritton at (360) 902-7103 or (360) 902-7175.