

Washington State Sales & Use Tax Exemption (Rebate)

Washington State Department of Revenue offers a Sales Tax Exemption (Rebate) on costs attributed to the construction of new industrial warehouses. The following is a brief summary of the program and is not intended to include all of the terms and conditions necessary to qualify for the exemption.

Who Benefits?

- The **Tenant benefits** by receiving a pass-through of the Owner's State Sales Tax exemption in the form of reduced rent.

What Qualifies?

- **NEW** warehouses, 200,000 square feet or more, for the purpose of warehousing finished goods, may qualify.
- **Material handling equipment** acquired or installed for use in the warehouse may also qualify for the state sales tax rebate.

How much is the State Sales Tax exemption?

Construction costs for NEW warehouses may qualify for a 100% exemption. The rebate is for the State's portion of the sales tax (6.5%), on the cost of construction related to the warehouse.

- **If the construction of a new 200,000 sf warehouse costs \$5,000,000, the sales tax rebate could be approximately \$325,000. For a new 400,000 sf warehouse, this could equate to approximately \$650,000.**

Purchase and installation costs of material handling equipment may qualify for a State Sales Tax exemption of (6.5%) based upon 50% of the value of the equipment and labor for installation.

- **For example, new racking installed at a cost \$500,000 could qualify for a State Sales Tax rebate of approximately \$16,250.**

How do we qualify for the exemption?

- **In order to qualify for the rebate, an agreement (an LOI or Lease) must be executed between the Tenant and Owner prior to the Owner's execution of a construction contract and the start of construction. Speculative buildings do not qualify.**

For further inquiries on the specifics of the program, please contact the State of Washington Department of Revenue at 1-800-647-7706, and visit http://www.dor.wa.gov/Docs/Pubs/SpecialNotices/1997/sn_97_warehs.pdf