

Excise Tax Advisory

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Grain Elevators

Purpose

RCW 82.08.820 provides an exemption in the form of a refund (or remittance) of sales tax for wholesalers and third-party warehouse owners who own or operate grain elevators.¹

This Excise Tax Advisory (ETA) explains the application of the proper rate of tax remittance under RCW 82.08.820(3) when a grain elevator is expanded.

Background

To increase interstate trade through tax incentives for grain elevator operations, RCW 82.08.820(1) provides a remittance to:

Wholesalers or third-party warehouse owners who own or operate ... grain elevators ... and who have paid the tax levied by RCW 82.08.020 on:

- (a) Material-handling and racking equipment, and labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment; or
- (b) Construction of a ... grain elevator, including materials, and including service and labor costs.

RCW 82.08.820(3)(a) outlines the general method for obtaining a remittance of sales tax:

¹ RCW 82.08.820 provides an exemption for grain elevators, warehouses, and cold storage warehouses. Only grain elevators are discussed in this ETA.

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A person claiming an exemption from state tax in the form of a remittance under this section must pay the tax imposed by RCW 82.08.020. The buyer may then apply to the department for remittance of all or part of the tax paid under RCW 82.08.020.

What is a grain elevator?

RCW 82.08.820(2)(f) defines a grain elevator as “a structure used for storage and handling of grain in bulk.” For purposes of this exemption, the term “structure” is not limited to a single building or edifice on a single foundation (or footprint).

Expansion and the amount of remittance

Under RCW 82.08.820(3)(a), the amount of remittance depends on the grain elevator capacity:

For grain elevators with bushel capacity of one million but less than two million, the remittance is equal to fifty percent of the amount of tax paid. For ... grain elevators with bushel capacity of two million or more, the remittance is equal to one hundred percent of the amount of tax paid for qualifying construction, materials, service, and labor, and fifty percent 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. (Emphasis added.)

RCW 82.08.820(2)(b) defines construction as:

[T]he actual construction of a ... grain elevator that did not exist before the construction began. "Construction" includes expansion if the expansion adds ... additional storage capacity of at least one million bushels to an existing grain elevator. "Construction" does not include renovation, remodeling, or repair.

When an existing grain elevator is expanded there are two requirements to qualify for remittance:

- 1) The expansion must add additional storage capacity of at least one million bushels; and
- 2) The expansion must be to an existing grain elevator.

Once these two requirements are met, the amount of remittance will depend on the total bushel capacity of the grain elevator after the expansion is complete.

| Total Bushel Capacity After Completed Expansion | Amount of Retail Sales Tax Paid on Expansion Eligible for Remittance |
|--|---|
| Two million or greater | 100% |

| | |
|-----------------------|-----|
| Less than two million | 50% |
|-----------------------|-----|

Example 1:

Taxpayer applies for a remittance of retail sales tax paid on the expansion of a grain elevator. The expansion added 1.25 million in bushel capacity to its grain elevator resulting in a total capacity of 2.5 million bushels.

- Expansions are specifically included within the definition of construction.
- The expansion meets the minimum requirement of an additional one million bushels added to an existing grain elevator.

Because the expansion is at least one million bushels and the resulting total capacity exceeds two million bushels, the taxpayer qualifies for a 100% remittance of retail sales tax paid on the expansion.

Example 2:

Taxpayer applies for a remittance of retail sales tax paid on the expansion of a grain elevator. The expansion added 1.25 million in bushel capacity to its grain elevator resulting in a total capacity of 1.75 million bushels.

- Expansions are specifically included within the definition of construction.
- The expansion meets the minimum requirement of an additional one million bushels added to an existing grain elevator.

Because the expansion is at least one million bushels and the resulting total capacity is less than two million bushels, the taxpayer qualifies for a 50% remittance of the retail sales tax paid on the expansion.

**Grain elevator
railroad spurs do not
qualify**

Costs associated with grain elevator railroad spurs do not qualify for remittance under RCW 82.08.820. Railroad spurs are used to carry rail cars that transport grain to and from the storage facility within the larger grain elevator property, without blocking the main rail line. Thus, railroad spurs serve as a means by which grain is delivered to the facility before storage and handling commences, and by which grain is hauled away once the storage and handling is complete. Therefore, while a railroad spur may be a necessary part of a larger grain elevator property, it is not a “qualifying structure” used in the storage and handling of grain in bulk.