

Tenn. Code Ann. § 67-6-102(44)(H) and (I) (2014) provides an exemption for the purchase of material handling and racking systems equipment that will be used in a qualified warehouse or distribution center. The warehouse or distribution center must be used for the storage or distribution of finished tangible personal property.

In order to qualify, the equipment must be:

1. Directly and primarily for the storage or handling and movement of tangible personal property.
2. Used in a qualified warehouse or distribution center.
3. Purchased over a period of no more than three years, beginning one year prior to the start of the construction/expansion of the facility and ending one year after the completion of the construction/expansion of the facility.

A qualified warehouse or distribution center is:

- a. A newly constructed and previously unoccupied facility constructed through an investment of more than \$10,000,000;
- b. Expansion of a previously qualified warehouse/distribution center through an investment of more than \$10,000,000;
- c. A purchase and renovation/expansion of warehouse/distribution center through an investment of more than \$10,000,000;
- d. Renovation/expansion of an existing warehouse/distribution center through an investment of more than \$10,000,000 plus the construction of a new building through the investment of more than \$10,000,000, for a total investment of \$20,000,000; or
- e. Purchase or lease of a previously occupied facility through an investment of more than \$10,000,000.

The required investment generally may be in the cost of building/construction/renovation and the cost of equipment used in the facility. If the facility qualifies under (a), the investment amount may also be in the purchase of the land, if the purchase occurs during the investment period. However, if the facility qualifies under (e) as the *lease* of a previously occupied facility, the investment may only be in the purchase/lease of the equipment used in the facility.

If the equipment is leased rather than purchased, and the facility qualifies under Tenn. Code Ann. § 67-6-102(44)(H) (construction of new facility or renovation/expansion of existing facility), then the lessor must purchase the equipment as well as enter the lease agreement for the equipment with the taxpayer within the three year investment period. If the equipment is leased and the facility qualifies under Tenn. Code Ann. § 67-6-102(44)(I) (purchase of previously occupied facility), then lessor must enter the lease agreement for the equipment with the taxpayer within one year after the purchase or lease of the building.

The taxpayer should mail completed application to the Department of Revenue at the given address. If the application is approved, the Department will issue the taxpayer an exemption certificate for sales tax exempt purchases of material handling and racking systems for the qualified warehouse or distribution facility. Tax exempt purchases may be made using the certificate only during the period beginning on the effective date and ending on the expiration date of the certificate.

Instructions:

- 1) - 3) Business information.
- 4) The qualified warehouse or distribution facility *may not* include a building where tangible personal property is fabricated, processed, assembled, or sold over-the-counter to consumers, unless the taxpayer is configuring, testing, or packaging computer products.
- 5) The required investment amount may be spent on the building/construction costs, the cost of the land (if under option (a) and the land is purchased to build on during the investment period), and/or the purchase/lease of new equipment for the building. For options (a), (b), (c), and (e), the required investment must be more than \$10,000,000. For option (d), the required investment must be more than \$10,000,000 in the expansion/renovation of the existing facility plus more than \$10,000,000 in the construction of the new building. Note, if you are *leasing* a previously occupied building under option (e), the \$10,000,000 investment must be completely in the purchase of new equipment for the building (Tenn. Code Ann. § 67-6-102(44)(I)(i)(b)).
- 6) If the facility is leased, the required investment may be made by the lessor or the taxpayer. However, all requirements apply.
- 7) The investment period start date can be no earlier than one year before the start of construction/expansion, and the end date can be no later than one year after completion of construction/expansion. The investment period can be no longer than three years. If the required investment extends beyond the investment period, either prior to the start date or after the end date, then the exemption for material handling equipment and racking systems will not apply and the taxpayer will be subject to sales or use tax on all such purchases.
- 8) Investment amount.
- 9) Dates must be within investment period. If the building or equipment are leased, provide the date of the lease(s). If the facility qualifies under Tenn. Code Ann. § 67-6-102(44)(I)(i) (if you have checked the box for (5)(e) on this application), then the equipment must be purchased no more than one year after the purchase or lease of the building.
- 10) You must include an attachment describing both the business function of the building as well as the description and purpose of the purchased equipment.