



# This Week in State Tax (TWIST)

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## Washington State: Appeals Court Finds Container and Generator Repairs Not Exempt

A Washington State Court of Appeals recently issued an unpublished decision holding that cleaning and repair services for a taxpayer's cargo ship containers and motor generators were not exempt from the retail sales tax. The taxpayer, a transportation company operating out of Seattle and Tacoma, hired a company to inspect, clean, and repair its shipping containers and motor generators and paid tax on the service. The containers were used on ocean-faring container ships, railroad cars, and motor carrier trailers to transport various goods. Some containers contained refrigerating units. When these containers were placed on trailers for land transport, motor generators mounted under the trailer generated electricity to power the cooling system. Neither the containers nor the generators were permanently attached to a particular piece of carrier property.

Washington law provides a sales tax exemption for sales of carrier property, such as railroad cars, watercraft, motor vehicles, and trailers used in interstate commerce. The exemption includes tangible personal property that becomes a component part of such pieces of carrier property, as well as cleaning and repair services for such component parts. The taxpayer filed a refund claim for the sales tax paid on cleaning and repair services, taking the position that the containers and generators were component parts of the cargo ships, trailers, and other property on which they were used.

The Department of Revenue denied the claims, and the taxpayer appealed to the Board of Tax Appeals, which upheld the Department's determination. The Board concluded that the shipping containers were not attached to and a part of the container ships, noting that while the containers were integral to the usefulness of the ships for transportation services, they did not affect the operation, seaworthiness, or other essential purposes of the ships. In addition, the containers could be used on various modes of transportation. Similarly, the Board found that the generators, while integral to the safe transport of perishable items on trailers, were not permanently attached to the trailer chassis and did not become an integral part of the motor vehicle or trailer's operation or roadworthiness. A state superior court affirmed the Board, and the taxpayer further appealed. On appeal, the taxpayer argued the Board had erred in adding requirements to the statute (e.g., seaworthiness and permanent attachment) and was incorrect in finding the containers and generators were not attached to and component parts of the carrier property.

The Court of Appeals was not persuaded and affirmed, agreeing that the cargo containers and refrigeration generators were not attached to the carrier property within the meaning of Washington's law, meaning they could not be a component part of the property. Consequently, the cleaning and repair services for these items were ineligible for the tax exemption. For further information on [Matson Navigation Co., Inc. v. Department of Revenue](#), please contact [Michele Baisler](#).

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