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September 18, 2013

Mr. Joel Anderson
President & CEO
International Warehouse Logistics Association
2800 S. River Road, Ste. 260
Des Plaines, IL 60018

Re: Taxability of General Warehousing and Storage Services

Dear Mr. Anderson:

The International Warehouse Logistics Association (“IWLA”) has requested KPMG LLP (“KPMG”) to prepare a study regarding the taxability of general warehousing and storage services in the District of Columbia and all states that impose a sales and use tax. Any advice or other information in this letter and our tax matrix deliverable is for the sole benefit of IWLA and may not be relied upon by any other person or organization. KPMG accepts no responsibility or liability in respect of this letter or our tax matrix deliverable to any person or organization other than IWLA. KPMG's role was limited to providing this objective study. KPMG takes no view that could be fairly interpreted as public policy advocacy or be perceived as impairing our independence.

The conclusions contained in this letter and the tax matrix deliverable are based upon the set of facts and assumptions set forth below which you have provided to us. If any of these facts or assumptions is not entirely complete or accurate, it is imperative that we be informed immediately in writing, as the incompleteness or inaccuracy could cause us to change our advice.

In order to arrive at our conclusions set forth in this study, we researched and are relying upon the relevant provisions of the state laws, including the regulations promulgated pursuant to these laws, and judicial and administrative interpretations thereof -- all as in effect on the date of this letter. All of the cited authorities are subject to change or modification retroactively and/or prospectively, and any such changes could affect the validity or correctness of our conclusions. We will not update our advice for subsequent changes or modifications to the law and regulations or to the judicial and administrative interpretations thereof, unless you separately engage us to do so in writing after such subsequent change or modification.

The scope of the research in this study was limited to the taxability of general, public business to business warehousing and storage services with the following set of facts and assumptions: An IWLA member stores a customer's goods in a warehouse facility. Such goods are typically in the nature of components intended for manufacturing or finished goods inventory. The goods are



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received from the customer in sealed packages, such as cartons, drums, and totes – often in pallet-sized increments. The warehouseman's customer does not have unlimited access to or control over the goods in the warehouse. The IWLA member will sort, segregate, pick, pack, load and/or ship goods on behalf of their customers. This research excludes specialty storage for consumers such as furs or motor vehicles. It also excludes storage facilities where a customer has unlimited access to or control of the goods stored in the storage facility.

Summary of Conclusions

The tax matrix deliverable provides our comprehensive research including all citations of authority that were relied upon in reaching our conclusions for this study. The following is a summary of our conclusions from the tax matrix deliverable.

The following states do not impose sales and use tax on general warehousing and storage services under the set of facts described above: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, the District of Columbia, Florida¹, Georgia, Idaho, Illinois², Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota³, Missouri, Nebraska, Nevada, New Jersey⁴, New York⁵, North Carolina, North Dakota, Ohio⁶, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington⁷, Wisconsin, and Wyoming.

The following states do impose sales and use tax on general warehousing and storage service under the set of facts described above: Hawaii, Mississippi⁸, New Mexico, South Dakota, and West Virginia.

¹ Florida does not impose tax on general warehousing and storage services provided the warehouseman maintains sole possession and control of the goods and storage space during storage.

² Illinois does not impose tax on general warehousing and storage services provided no tangible personal property is transferred to the customer. If tangible personal property is transferred, the transaction may be subject to the Illinois service occupation tax.

³ Minnesota will impose sales and use tax on general warehousing and storage services beginning April 1, 2014.

⁴ New Jersey does not impose tax on warehousing services provided the goods stored are held for sale in the regular course of business.

⁵ New York does not impose tax on warehousing services provided the goods stored are held for sale in the regular course of business.

⁶ Ohio does not impose tax on warehousing services provided the goods stored are held for sale in the regular course of business.

⁷ Note that general warehousing and storage services are subject to the Washington B&O tax.

⁸ Mississippi provides a limited exemption for the storage of perishable goods and the temporary storage of goods to be shipped outside of Mississippi.



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Very truly yours,

A handwritten signature in black ink that reads 'Loren L. Chumley'. The signature is written in a cursive style with a large, prominent 'L' at the beginning.

Loren Chumley

cc: Pat O'Conner, Kent & O'Conner, Incorp.

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Any advice in this document is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the above-stated facts, assumptions and representations. If any of the foregoing facts, assumptions or representations is not entirely complete or accurate, it is imperative that we be informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions. In rendering our advice, we may consider, for example, the applicable provisions of the Internal Revenue Code of 1986 and ERISA, as amended, and the relevant state and foreign statutes, the regulations thereunder, income tax treaties, and judicial and administrative interpretations, thereof. These authorities are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our conclusions. We will not update our advice for subsequent changes or modifications to the law and regulations or to the judicial and administrative interpretations thereof.

The advice or other information in this document was prepared for the sole benefit of KPMG's client and may not be relied upon by any other person or organization. KPMG accepts no responsibility or liability in respect of this document to any person or organization other than KPMG's client.