



City of Kent Tax Advisory Notice

NUMBER: 2022-01

EFFECTIVE DATE: January 1, 2022

SUBJECT: Taxability of Self-Storage
Rental Businesses

APPROVED:


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Finance Director

Overview:

The purpose of tax advisory notices is to advise the public of City of Kent current opinions, approaches, and likely courses of action by means of interpretative statements. These statements, known as "Tax Advisory Notices", are formal interpretive statements issued by the City of Kent that address and/or clarify the tax administration of taxes imposed directly by the City of Kent.

The purpose of this tax advisory notice is to explain the Business & Occupation (B&O) Tax reporting responsibility of persons operating self-storage facilities in Kent.

Self-storage businesses generally include facilities where customers can rent individual units to securely store personal belongings. Self-storage facilities in Kent may be subject to both gross receipts tax and square footage tax.

Applicability and Measurement of City B&O Tax:

The gross proceeds of sales of tangible personal property to consumers at self-storage facilities are taxable under the Retailing tax classification (e.g., sales of boxes, tape, locks, etc.). Gross income derived from renting self-storage units is also generally subject to tax under the Retailing classification. However, such rental income may be exempt from gross receipts tax as a "rental of real estate" if all of the following conditions are met:

- The tenant (customer) has exclusive possession of the rental unit and its contents.
- The tenant (customer) has unrestricted access to the rental unit and its contents.
- The contract for rent or lease of the storage unit is for a period thirty (30) days or longer.

The rental of real estate exemption, when applicable, only applies to the gross receipts tax. The rental of real estate exemption does not apply to square footage tax. See Kent City Code 3.28.090(P).

Self-storage facilities are subject to square footage tax under the Other Business Floor Space category. Taxable floor space includes, but is not limited to, rentable storage space as well as office space or space used to perform administrative tasks.

Effective January 1, 2022, self-storage businesses may not deduct the square footage of storage space that is rented to tenants who use the space for a business purpose.

In any given reporting period, businesses must report both their taxable gross income and square footage. Remittance of the tax is based on the greater of the two categories.

For questions, please contact the Tax Division at business-occupation@kentwa.gov or 253-856-6266.