

Leasehold Excise Tax

Frequently Asked Questions and Answers

Q: What is the Leasehold Excise Tax?

A: It is a tax paid by persons or businesses who use or lease publicly owned property. Real estate and personal property which is owned by a government entity (United States, State of Washington, cities, counties, etc.) is not subject to property tax. When private individuals or businesses use government property they are provided the same governmental services as other taxpayers in the state. The purpose of the Leasehold Excise Tax is to compensate governmental entities for services rendered to lessees of public property.

Q: In what situations does the Leasehold Excise Tax apply?

A: Leasehold tax applies to possession and use of publicly owned real or personal property through a written or oral agreement, without regard to whether the agreement is labelled a lease, license, or permit. Both possession and use are required to create a leasehold interest, the lessee must have some identifiable dominion and control over a defined area. This requirement distinguishes a taxable leasehold interest from a mere franchise, license, or permit.

Q: What is the tax rate?

A: The Leasehold Excise Tax rate is 12.84 percent of the rent paid for the property.

Q: Which leases are subject to the Leasehold Excise Tax?

A: There are some specific exemptions granted in the statute (RCW 82.29A). Most use of public property is subject to leasehold tax if the lessee has both dominion and control as described above.

Q: Who is responsible for paying the tax?

A: The lessee is ultimately responsible for paying the tax. Lessees of federal property are required to register and remit the leasehold tax to the Washington State Department of Revenue.

If the property is owned by the state, county, city or other Washington public entities, the public lessor is required to collect the tax from the lessee and remit it to the Washington State Department of Revenue.

Q: How is the tax calculated?

A: The tax is due on the rent paid for the property, unless a taxable rent has been established by the department. Rent includes actual payments to the lessor as well as expenditures made on behalf of the lessor. Rent would also include improvements to the property made by the lessee if the improvements become the property of the lessor. A credit will be allowed if the leasehold excise tax due is greater than the amount of property tax that would be due if the property was owned by the lessee.

Q: What happens to the Leasehold Tax I remit?

A: The total 12.84 percent tax is remitted to the Washington State Department of Revenue. Approximately 53 percent of the tax goes into the State General Fund and 47 percent of the tax is returned to the county and city in which the leased property is located.

Q: How often is the tax remitted?

A: The reporting periods are monthly, quarterly or annually. After you register, you will be notified of your reporting frequency.

Q: If I want to learn more?

A: Please see RCW 82.29A and WAC 458-29A

For Further Information Call

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(360) 570-3265

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