Department of Revenue Washington State

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3113.2013 (First Revision) Issue Date: August X, 2013

Computing Leasehold Excise Tax at Public Marinas
(Effective through July 28, 2013)

Effective July 28, 2013, this ETA is superseded in its entirety by Section 3 of Senate Substitute Bill 5444, Chapter 235, Laws of 2013.

The purpose of the leasehold excise tax (LET) is to tax private interests in publicly owned real or personal property. The LET is "in lieu" of the property tax and intended to provide equity in taxation of all property. The law provides for a credit if the LET amount paid by a private tenant exceeds the property tax that would have been due if the property were privately owned. (RCW 82.29A.120).

Some confusion may exist over the proper calculation of LET for permanent moorage slips at public marinas. In many instances, LET calculated only on the contract rent paid for moorage may result in the tenant paying LET in excess of the amount of property tax that would have been due if the property were privately owned. In order to determine the proper measure of the LET for these facilities, it is necessary first to determine what the comparable property tax would be for the slips if they were privately owned. If the LET based upon contract rent exceeds the comparable property tax, the measure of the LET can be based upon the calculation of comparable property tax for the moorage slip. (RCW 82.29A.120). While separate appraisals for each slip would provide the most accurate basis for determining LET liability, separate appraisals are generally not administratively feasible. This advisory provides public marinas with an acceptable formula to compute the amount of LET the marinas as lessors are required to collect from lessees. This formula uses a square footage formula in conjunction with rental rates in calculating the LET due. This ETA does not indicate a change in the Department's position.

Step 1—Valuing the Permanent Moorage Area

Most marinas provide both "permanent" moorage (vessels moored for a period in excess of 30 continuous days) and "guest" moorage (vessels moored for a period of 30 days or less). Generally, LET is due on all moorage rented in excess of 30 continuous days. For purposes of establishing the adjusted LET due (the LET due after application of the credit), it is necessary to determine the value of the moorage area subject to the LET.

Example:

Total assessed value of Public Marina		$4,000,000
Assessed land value	$350,000	
Assessed improvement value	$3,650,000	
Total Public Marina area (measured in square footage)		600,000 sf
Total rentable area	225,000 sf	
Total permanent moorage area	150,000 sf	
Total guest moorage area	75,000 sf	

<u>Computing value per square foot:</u>

Total assessed value / Total rentable area = Value per square foot
$4,000,000 / 225,000 = $17.78

<u>Computing value of permanent moorage area:</u>

Total permanent moorage area X Value per square foot = Value of permanent moorage area
150,000 X $17.78 = $2,667,000

Step 2—Recognizing Differences Between Slips

Applying a common value per square foot results in different values for slips based upon their respective size, but considers no other factors. Tenants renting permanent moorage have similar contracts and are uniformly charged rents. Therefore, one way to determine the relative values of different slips is by looking at the respective rental rates. This assumes that rental rate differences reflect a comparable difference in value. The rental rate reflects not only the size of the slip, but other factors such as location, whether it is covered slip, and whether the slip is a side tie or an open slip.

In determining a slip's value, the computation uses the slip's prorated share of the total rents and assumes this reflects the slip's relative value to all permanent moorage.

Example:

Total monthly rental income for permanent moorage area	$60,000
Monthly rental charge for 32' covered permanent moorage slip	$185
Monthly rental charge for 50' open permanent moorage slip	$228
Monthly rental charge for 28' side tie permanent moorage slip	$120
Value of permanent moorage area (from above)	$2,667,000

Monthly rental charge for slip / Total monthly rental income = Relative share of Permanent moorage value

32’ covered slip	$185 / $60,000	= 0.31%
50’ open slip	$228 / $60,000	= 0.38%
28’ side tie slip	$120 / $60,000	= 0.20%

Relative share of perm. moorage value X value of all perm. moorage = Slip value

32’ covered slip	0.31% X $2,667,000	= $ 8,267.70
50’ open slip	0.38% X $2,667,000	=$10,134.60
28’ side tie slip	0.20% X $2,667,000	= $ 5,334.00

Step 3—Calculating the Adjusted Annual LET Due

The slip value is then used to determine the adjusted LET due:

Example:

Slip value for 32’ covered permanent moorage slip (from above)	$ 8,267.70
Slip value for 50’ open permanent moorage slip (from above)	$10,134.60
Slip value for 28’ side tie permanent moorage slip (from above)	$ 5,334.00
Property tax levy rate	13.54500

Slip value / 1000 X Property tax levy rate = Adjusted annual LET due

32’ covered slip	$ 8,267.70 / 1000 X 13.54500	= $111.99 ($ 9.33 per month)
50’ open slip	$10,134.60 / 1000 X 13.54500	= $137.27 ($11.44 per month)
28’ side tie slip	$ 5,334.00 / 1000 X 13.54500	= $ 72.25 ($ 6.02 per month)

A public marina may request a variation to this formula if it can substantiate that it does not result in correct computation of LET due to facts unique to their circumstances. To request approval for such a variation, the public marina should contact the Department of Revenue at the following address:

State of Washington
Department of Revenue
Attn: Leasehold Tax
PO Box 47477
Olympia WA 98504-7477

*****