



# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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## **Deductibility of Repair and Maintenance Costs of Leased Property**

Where a lessee pays for the cost of repair and maintenance for which the lessor is contractually liable, may the lessor deduct these payments from the gross receipts of the lease?

Assume Leasing Company leases automobiles to persons and firms for use in the state. When repair or maintenance work is performed on the leased automobiles, the lessee may either perform the work or pay for the costs of the work. This cost is deducted from the lease payments due to the lessor.

The measure of the tax on Leasing Company's rental income was the gross lease price. Because Leasing Company is responsible for repair and maintenance costs, the expenses incurred by the lessee are a part of the consideration paid to Leasing Company. No deduction is allowed for repair and maintenance costs in computing the retail sales tax or the business and occupation tax.

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**All ETAs were cancelled on February 2, 2009 and those which had a continued use were rewritten and reissued using a new numbering system. The new ETAs are numbered using the following format 3nnn.yyyy. The Department of Revenue issued ETA 3001.2009 which includes a cross reference table showing the old and new ETA numbers for those ETAs that were rewritten.**

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