

Leasehold Excise Tax

RCW Chapter 82.29A

Tax Base Typically, contract rent paid for leasing or using publicly owned property.

Contract rent includes:

- Cash payments.
- Rent paid by a sub-lessee.
- A lessee's costs for the protection of the owner's interest in the property.
- A lessee's costs for improvements that become the property of the owner.

Contract rent does not include:

- Costs reimbursed by an owner.
- Costs for repair or replacement of facilities due to fire or another loss.
- Costs for improvements required by government action taken after a lease.
- Improvements subject to personal property tax.
- Payments for concession rights.

The Department may create a taxable rent computation when:

- The lease payment was not arrived at through competitive bidding, and the payment does not represent a fair market value lease.
- The owner and lessee negotiated the lease at least 10 years ago.

Tax exemptions may reduce these taxes.

For more information refer to the [Tax Exemption Study](#).

Tax Rate 12.84%

- 6.84% goes to the state.
- 6.00% goes to counties and cities.

Counties and cities may impose this tax at a combined rate of 6%.

- A county can impose up to 6%.
 - A city can impose up to 4% that is credited against the county's rate.
-

Leasehold Excise Tax

Recent Collections (\$000)

Fiscal Year	Collections	% Change	% of All State Taxes
2021	\$37,206	2.8%	0.1%
2020	\$36,205	-0.2%	0.1%
2019	\$36,281	6.2%	0.1%
2018	\$34,150	3.1%	0.1%
2017	\$33,118	0.7%	0.2%
2016	\$32,900	15.4%	0.2%
2015	\$28,504	3.0%	0.2%
2014	\$27,682	1.1%	0.2%
2013	\$27,394	1.2%	0.2%
2012	\$27,077	1.7%	0.2%

Distribution of Receipts

The general fund receives all receipts from the state portion of this tax.
 The State Treasurer distributes the local receipts bi-monthly.

Levied by

State, counties, and cities

Administration

Department of Revenue

Public entities leasing property to private lessees report and pay the tax quarterly on the Leasehold Excise Tax Return.

Lessees of federal property report and pay the tax annually on the Leasehold Excise Tax Return.

The Department retains 2% of the county and city receipts for administrative expenses.

History

- 2022 Exempted facilities owned by the Parks and Recreation Commission and listed on the National Register of Historic Places or Washington Heritage Register until January 1, 2034.
- 2020 Made permanent the property tax exemption, leasehold excise tax, and payment in-lieu of tax provisions for property owned by federally recognized Indian tribes and used for economic development.

Leasehold Excise Tax

- 2019 Expanded the exemption for hydrogen fueling stations and renewable hydrogen production facilities and extended the expiration to July 1, 2025. Also exempted certain public arenas from leasehold excise tax in King County.
 - 2014 Extended the leasehold excise tax to leasehold interests in property owned exclusively by federally recognized Indian tribes. Excluded cannabis related activities from leasehold excise tax preferences.
 - 2013 Assessors do not have to maintain current property assessed values on publicly owned property subject to leasehold excise tax.
 - 2010 Exempted community centers from property tax for 40 years and added them to the leasehold excise tax instead.
 - 2001 Shifted approximately 3,000 residential and recreational parcels at Lake Cushman in Mason County from leasehold excise tax to property tax even though the land remains in public ownership.
 - 1999 Modified the definition of leasehold interest to exclude a right of access to public properties for the purposes of exploring for energy resources or the removal of natural resource products. This removed livestock grazing leases from the tax base. Also, changed the definition of contract rent for product leases to exclude the value of products removed.
 - 1986 Approved a provision limiting the leasehold excise tax to the amount due under the property tax.
 - 1982 Added a 7% surtax.
 - 1976 Created the leasehold excise tax with a rate of 12%, of which counties and cities could levy up to 6%.
 - 1973 Imposed an excise tax of 14% of annual lease payments on leases effective prior to July 1, 1970, to provide some equity for leases of public property.
 - 1971 Imposed a moratorium on property taxes on public leases until 1974 for leases made since July 1, 1970.
 - 1970 Washington's Supreme Court ruled in *Pier 67 v King County* that leasehold interest in publicly owned property could be taxed.
-