Your rights and responsibilities

Your rights as a taxpayer include:

- Timely, fair and equitable treatment.
- Written information on appeal procedures and reasons for an assessment.
- Confidentiality of business and financial information.

Your responsibilities as a taxpayer include:

- Filing and reporting taxes.
- Knowing your tax reporting obligations.
- Keeping accurate and complete records.
- Responding to communications from the Department of Revenue.

Contact us

Washington State
Department of Revenue

360-705-6203

Website

dor.wa.gov

For tax assistance or to request this document in an alternate format, visit dor.wa.gov or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

Prepared by the Customer Experience and Communications Division

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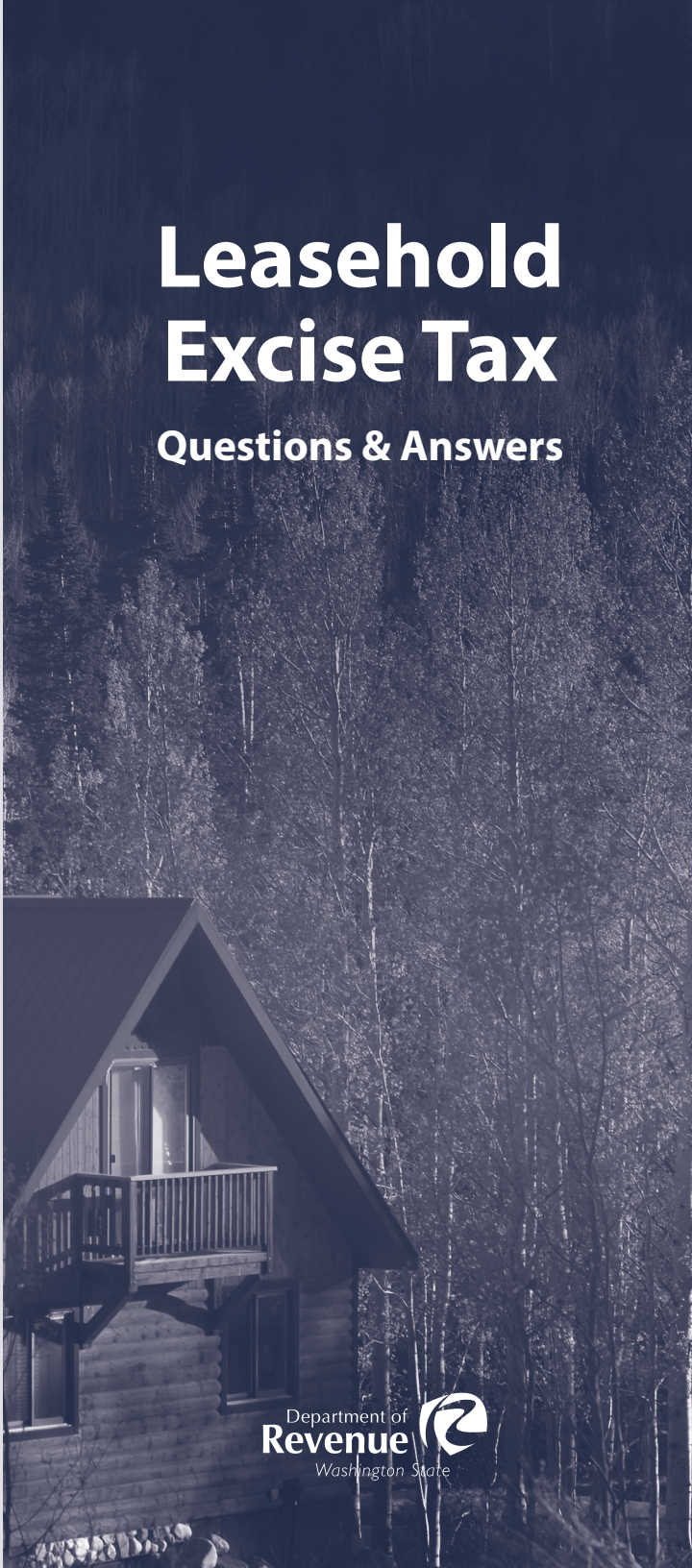
Leasehold Excise Tax

Questions & Answers



Department of Revenue
Washington State

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 owned by a government entity is not subject to any property tax. When private parties use government property, they are provided with the same government services as all other taxpayers. The leasehold excise tax compensates governments for these services.

Q In what situations does the leasehold excise tax apply?

A The leasehold excise tax applies to any interest in publicly owned real or personal property which exists by virtue or any lease, permit, license or other agreement, written or verbal, between the public owner of the property and a person who would not be exempt from property taxes if that person owned property.

Q What is the tax rate?

A The leasehold excise tax rate is 12.84% of the rent paid for the property.

Q Which leases are subject to the leasehold excise tax?

A Any use of public property which the user of the property would be subject to real or personal property tax if they owned the property outright. The law allows some specific exemptions (RCW 82.29A), but nearly all leases are subject to tax.

Q Who is responsible for paying the tax?

A Lessees are responsible for paying the tax.

When the state, county, city, or other Washington public entities own the property, the government entity collects the tax and remits it to the Washington State Department of Revenue (Revenue).

Lessees of federal land, federally owned trust lands, or property owned by a community center or federally recognized tribe must register and remit the tax directly to Revenue unless an approved exemption applies.

Q How is the tax calculated?

A The tax is due on the rent paid for the property. Rent includes payments made to the lessor and expenditures made on behalf of the lessor. Rent also includes improvements to the property made by the lessee if the improvements become property of the lessor.

In some cases, if the rent paid is below fair market value, Revenue may calculate a fair market value for tax purposes.

Q What happens with my taxes?

A About 53% of the tax goes to the state's general fund. The remaining 47% goes to the county and city where the leased property is located.

Q How often is the tax remitted?

A Revenue determines the filing frequency for each taxpayer, either monthly, quarterly or annually. You will be notified of your reporting frequency.