

Leasehold Excise Tax

RCW Chapter 82.29A

Tax Base Leasehold tax is due when there is a private lease, permit, license, or similar agreement for publicly owned real or personal property. In most instances, the tax is measured by contract rent, which is the amount paid for use of the public property.

Contract rent includes:

- Cash payments
- Rents paid by sub lessees
- Expenditures by the lessee for the protection of the owner's interests in the property
- Expenditures by the lessee for improvements to the property which become the property of the owner

Contract rent excludes:

- Expenditures that are reimbursed by the lessor
- Expenditures for repair or replacement of facilities due to fire or other casualty
- Expenditures for improvements required by government action taken after the lease was executed
- Improvements subject to personal property tax
- Payments for concession rights

The Department may establish a taxable rent computation when:

- The lease payment was not arrived at through competitive bidding, and the compensation to the lessor does not represent the fair market value of the lease.
- The lease has not been renegotiated for at least ten years.

Tax exemptions may reduce the tax liability for this tax base. For more information refer to the [Tax Exemption Study](#).

Tax Rate 12.84 percent, of which 6.84 percent goes to the state and 6.00 percent goes to local jurisdictions.

Any county or city is authorized to levy and collect a leasehold excise tax

- The maximum total county and city rate is 6 percent
- The maximum county rate is 6 percent
- The maximum city rate is 4 percent and is credited against the county tax

Leasehold Excise Tax

Recent Collections (\$000)

STATE LEASEHOLD EXCISE TAXES

Fiscal Year	Collections	% Change	% of All State Taxes
2018	\$34,150	3.1%	0.2%
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%
2011	\$26,622	3.0%	0.2%
2010	\$25,849	0.9%	0.2%
2009	\$25,613	18.0%	0.2%

LOCAL LEASEHOLD EXCISE TAXES

Fiscal Year	Distributions to Cities	Distributions to Counties
2018	N/A	N/A
2017	\$15,571	\$13,014
2016	\$15,717	\$12,869
2015	\$13,139	\$11,130
2014	\$13,052	\$11,110
2013	\$13,590	\$10,680
2012	\$12,864	\$10,425
2011	\$12,472	\$10,065
2010	\$12,013	\$9,931
2009	\$11,947	\$9,548

Distribution of Receipts

All state receipts from the state portion of the tax plus an administrative fee for collection of the local tax are deposited into the State General Fund.

Local tax receipts are distributed by the State Treasurer on a bimonthly basis.

- Cities and counties may use the funds for general purposes.
- County receipts must be further distributed to all local taxing districts, except cities, within the county on a pro rata basis.

Levied by

State, counties, and cities.

Leasehold Excise Tax

Administration Department of Revenue.

Public entities that lease property to private lessees remit the tax to the Department on a quarterly basis. Lessees of federal property report directly to the Department on an annual basis.

The Department retains 2 percent of the local tax receipts for collection expenses, as authorized by statute.

History

- 2014 Leasehold excise tax extended to leasehold interests in property owned exclusively by federally recognized Indian tribes. Marijuana-related activities are not eligible for leasehold excise tax preferences.
- 2013 Assessors do not have to maintain current property values on publicly owned property subject to leasehold excise tax.
- 2010 Community Centers exempted from property tax for 40 years and subject to leasehold excise tax instead.
- 2001 Leasehold interest in approximately 3,000 residential and recreational parcels at Lake Cushman in Mason County was shifted from leasehold excise tax to regular property tax even though the property remains in public ownership.
- 1999 The definition of leasehold interest was modified to exclude 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. The definition of contract rent for product leases was also changed with respect to the value of products that are removed.
- 1986 Provision limiting the leasehold excise tax to the amount that would be due under the property tax approved.
- 1982 7 percent surcharge added.
- 1976 Legislature repealed the previous system and established the current statute with a rate of 12 percent, of which cities and counties could levy up to 6 percent.
- 1973 Legislature imposed an excise tax on leases that were effective prior to July 1, 1970, in order to provide some equity for all leases of public property. The rate of the in-lieu excise tax was 14 percent of annual

Leasehold Excise Tax

lease payments.

- 1971 Legislature adopted a moratorium on assessment of public leases for property tax purposes until 1974. However, the moratorium only applied to leases contracted since July 1, 1970.
 - 1970 State Supreme Court ruled in the Edgewater Inn case that leasehold interest in publicly owned property could be subject to taxation.
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