CITY OF SEQUIM

FACT SHEET

Leasehold Excise Tax

BACKGROUND

The City of Sequim is required to collect Leasehold Excise Tax (LET) from persons and organizations who are allowed to improve or have exclusive use of City-owned property pursuant to *any form of agreement, whether it is written or verbal*. RCW 82.29A, WAC 458-29A, and SMC 3.08. To reflect recent State guidance and audit attention, the City is updating its LET compliance with all existing and future leases, agreements, and right-of-way permits to ensure we meet our obligations.

Note: Washington's general provisions regarding taxes allow the Department of Revenue to assess retroactive leasehold excise taxes for up to four years in most cases. RCW 82.29A.060; RCW 82.32.050(4), RCW 82.02.

SUMMARY

LET is a tax that private parties pay when they lease, improve, or use government owned property. It is intended to be in lieu of the regular property taxes that would be owed if the private party, rather than the City, actually owned the property. The revenue resulting from LET collection is split between the State and the City, with approximately 53% going to the State's general fund and 47% returning to the City where the property is located. To see what the current LET rate is, visit the Department of Revenue (DOR) website listed below. *Please note:* This is not an exhaustive review of leasehold tax collection requirements, exemptions, etc. If you have further questions or concerns, please contact DOR.

WHO DOES IT APPLY TO?

LET must be collected from any person, business, or agency that leases, rents, or is otherwise allowed the exclusive use of City-owned property, regardless of whether there is a written or verbal agreement. Generally, this applies when a person, business, or agency occupies City-owned property for longer than 30 continuous days through a license, lease/rental agreement, or right-of-way permit, unless an exemption applies. The City must presume that all persons, businesses, and agencies are required to pay LET unless the City is given evidence of a valid exemption.

EXEMPTIONS – DO YOU QUALIFY?

There are over 40 types of organizations that may be eligible for an exemption from LET, including schools, churches, social service agencies, childcare organizations, and some nonprofit programs. For specific information about LET exemptions contact the DOR at the information below or refer to RCW 82.29A.

If you lease or use City-owned property and believe you qualify for an exemption, fill out the Application for Property Tax and Leasehold Excise Tax Exemption Form here: https://dor.wa.gov/forms-publications/forms-subject/application-forms. This form includes specific submittal requirements and additional documentation necessary for your organization. **Exemptions must be applied for annually.** *Please note that DOR is solely responsible for determining whether a person, business, or entity qualifies for any exemption.* It is your responsibility to provide the City with proof of the exemption to avoid being charged LET.

ANNUAL REPORTING AND FILING REQUIREMENTS

The City of Sequim is responsible for collecting LET and submitting it to the DOR. The DOR establishes the filing frequency, which can be monthly, quarterly, or annually. Reporting requirements for the private party will be detailed by the City in the applicable lease, permit, or agreement.

CONTACT INFORMATION – ADDITIONAL RESOURCES

Department of Revenue – Leasehold Tax Section
Phone: 360-705-6115
Website: https://dor.wa.gov/taxes-rates/other-taxes/leasehold-excise-tax

For Exemption Applications:
Department of Revenue
Property Tax Division/Exempt Property
PO Box 47471
Olympia, WA 98504-7471
Phone: 360-534-1400
Email: dornonprofitapplication@dor.wa.gov