

Leases of tangible personal property that include property tax charges

Persons who lease tangible personal property and are charged property tax by the leasing company must pay retail sales tax on the total rental charge, including the amount due for property tax. The total rental charge is also subject to retailing business and occupation (B&O) tax.

Total rental charge – What is included?

“Gross proceeds of sales” is the total amount received from the lease of the tangible personal property and is used as the measure for B&O tax. “Sales price” is the total amount of consideration paid for the use of the tangible personal property and is used as the measure for retail sales tax.

Essentially, each term means the total amount paid for the lease or use of the tangible personal property, without deductions for property tax. Deductions are not allowed even if the costs are separately stated on the invoice to the lessee.

Payments of personal property taxes by the lessee, when the tax is a legal liability of the lessor, are a recovery of a cost of doing business by the lessor. The property taxes paid by the lessee must be included in the amounts reported under both B&O tax and retail sales tax.

This tax treatment also applies to charges to the lessee for insurance covering the leased item when the lessor is the insured party.

References

RCW 82.04.070 - "Gross proceeds of sales."

RCW 82.08.010 - Definitions.

WAC 458-20-211 - Leases or rentals of tangible personal property, bailments.



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