

AUDITOR'S DETAIL OF DIFFERENCES AND INSTRUCTIONS TO TAXPAYERS

Port of Illahe

Leasehold tax reporting No. 503 001 113

An examination has been made of the leasehold income and associated records of Port of Illahe for the period January 1, 2014, through September 30, 2017. This audit is qualified to the extent that it pertains only to leasehold excise tax.

The purpose of the audit was to determine whether the proper leasehold excise tax was collected and remitted to the State of Washington, Department of Revenue, in accordance with the provisions of Chapter 82.29A Revised Code of Washington (RCW).

Leasehold excise tax was enacted, as a method for persons having the right to use publicly owned tax-exempt property for private purposes, to share with fee simple property owners the costs of governmental services. Because the incidence of the tax cannot be on ownership of the property, it is structured as an excise tax triggered by the right for private use of public property. The tax is based on the taxable (fair market) rent of the leasehold interest, and is to be collected by the public lessor.

RCW 82.29A.030 states: "(1) There is hereby levied and shall be collected a leasehold excise tax on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest on and after January 1, 1976 . . ."

RCW 82.29A.020 defines a "leasehold interest" as "an interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or any 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 the property in fee, granting possession and use, to a degree less than fee simple ownership . . . The term "leasehold interest" shall include the rights of use or occupancy by others of property which is owned in fee or held in trust by a public corporation, commission, or authority created under RCW 35.21.730 . . ."

Your leasehold excise tax returns for this period have been accepted as filed.

Closing Comments

The audit adjustments were discussed with Theresa Haaland. If there are any questions regarding the audit or if additional information is needed, contact either David Gebauer, telephone number 360-534-1305; or Audit Supervisor, Andy Van Gerpen, 360-534-1434.

The procedures to file a petition for review are contained in WAC 458-20-100, which is available upon request. The petition must be filed with the Department of Revenue within thirty days after the date the departmental action occurred. If the petition for review is requesting a

refund of taxes paid, it must be filed within four years after the close of the year in which the taxes were paid.

Would you take a moment and give us your feedback? If so, please complete a short survey for us at: https://www.surveymonkey.com/r/MT_Audit_Survey. This is an opportunity for us to hear from you to tell us what we are doing well, and to help us identify areas we can improve.

Thank you for your assistance and cooperation during the audit.

Auditor: David Gebauer

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Leasehold Tax
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**PORT OF ILLAHE
PO BOX 2357
BREMERTON WA 98310**

Examination of your account for the period January 01, 2014 through September 30, 2017, as detailed in the audit report by DAVID GEBAUER, discloses a balance of taxes, interest and/or penalty due as follows:

Tax Difference

	2014	2015	2016	2017	Total
LEASEHOLD	0.00	0.00	0.00	0.00	0.00
Total Debit or (Credit)	0.00	0.00	0.00	0.00	0.00
Total Assessed					0.00
Total Due					\$0.00

Our Audit has disclosed no additional tax liability for the covered audit period.
A majority business owner and member of the armed forces participating in an "armed conflict" outside the U.S.
may be entitled to a waiver of penalty and interest.
If you have any questions regarding this Assessment contact: ANDREW VANGERPEN MISCELLANEOUS TAX (360) 534-1434