

SENATE BILL REPORT

SB 6351

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 7, 1994

Brief Description: Affecting leasehold excise taxes.

SPONSORS: Senator Owen

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6351 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Ludwig, McDonald, Moyer, Owen, Pelz, Roach, L. Smith, Snyder, Spanel, Sutherland, Talmadge, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 2, 1994; February 7, 1994

BACKGROUND:

The state, counties, and cities levy leasehold excise taxes "in-lieu" of property taxes on private lessees who lease or rent publicly-owned property. Typically, these kinds of properties are public ports (wharves, warehouses, etc.) or other public facilities. A state tax of 12.84 percent is imposed against which is credited any local tax. Counties and cities may impose a tax of up to 6 percent and 4 percent respectively, but any city tax is credited against the county tax.

The leasehold excise tax is imposed on the taxable rent. Taxable rent is generally equal to the rent paid under the contract between the public owner and the private lessee. If the lease payments were not arrived at through competitive bidding or do not otherwise reflect a fair market rental, the Department of Revenue may establish a taxable rent that reflects a fair rate of return on the open market. In making this determination, consideration may be given to what would be a fair rate of return on the market value of the property using an appraisal of the land. While administrative and court appeals are provided to the lessee, no appeals are authorized for sublessees.

A credit is authorized in the amount that the leasehold excise tax exceeds the amount of property taxes that would be paid if the property were privately owned.

SUMMARY:

When taxable rent on residential property is determined using an appraisal by the county assessor, lessees and sublessees responsible for paying the tax may appeal the value to the county Board of Equalization. A decision of the Board of Equalization may be appealed by the taxpayer to the Board of Tax Appeals. When taxable rent on residential property is determined using an appraisal by the department, a sublessee responsible for paying the tax may petition the department for a change in taxable rent.

For lessees and sublessees who would qualify for the senior citizen property tax exemption if the property were privately owned, the tax is reduced by a percentage equal to the percentage reduction in property tax that would result from the senior citizen property tax exemption.

EFFECT OF PROPOSED SUBSTITUTE:

Technical amendments are made.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR:

Lake Cushman provides its own roads, fire protection, and security services. It receives a minimum amount of governmental services. Lake Cushman residents received a 68 percent tax increase as opposed to 21 percent in the county. We just want the right to appeal.

TESTIMONY AGAINST: None

TESTIFIED: Dick Schroeder, Lake Cushman Maintenance Company (pro)