

**COMMITTEE ON HIGHER EDUCATION**  
*Representative Don Carlson, Chair*

**BILL ANALYSIS**  
**SB 5743**

**BRIEF DESCRIPTION:** Creating a leasehold excise tax exemption for organizations qualified under section 501(c)(3) of the internal revenue code that provide student housing.

**BACKGROUND:** *The leasehold excise tax is imposed on publicly-owned property used for private purposes. The tax is collected by public entities that lease property to private parties. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.*

*Generally, private use of publicly-owned property is subject to leasehold excise taxes. However, there are some exemptions. Some examples of leasehold excise tax exemptions include:*

- „ A private organization that uses publicly-owned property to provide subsidized housing, if tenants of the subsidized housing must meet income qualification criteria.*
- „ A home on publicly-owned property used as a residence for an employee, if the employee's work requires him or her to live on the property. An example would be housing for state park employees located within a park.*

**SUMMARY OF BILL:** A new leasehold excise tax exemption is created. Nonprofit organizations that rent buildings from public colleges or universities for the purposes of providing student housing are exempt if:

- (1) The purpose of the rental agreement is to permit the nonprofit organization to construct or renovate student housing;
- (2) The nonprofit organization pays the university or college a nominal rent, determined without reference to market value, for the buildings; and
- (3) The nonprofit organization is qualified for exemption under section 501(c)(3) of the federal internal revenue code.