

# SENATE BILL REPORT

## SB 5743

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As Passed Senate, March 11, 1997

**Title:** An act relating to the creation of a leasehold excise tax exemption for organizations qualified under section 501(c)(3) of the internal revenue code that provide student housing.

**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.

**Sponsors:** Senators Wood, Kohl, Hale and Kline; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 2/12/97 [w/oRec-HIE].

Higher Education: 2/24/97, 2/26/97 [DP].

Passed Senate, 3/11/97, 49-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That it be referred to Committee on Higher Education without recommendation.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, Rossi, Schow, Sheldon, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

**Staff:** Terry Wilson (786-7433)

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass.

Signed by Senators Wood, Chair; Winsley, Vice Chair; Bauer, Hale, Kohl, Prince and Sheldon.

**Staff:** Aldo Melchiori (786-7439)

**Background:** Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the leasehold excise tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The tax is collected by public entities that lease property to private parties.

The tax rate is 12.84 percent of the amount paid in rent for the public property. Counties may impose a tax of up to 6 percent, and cities may impose a tax of up to 4 percent. The city tax is credited against any county tax, and local taxes are credited against the state tax.

The state tax is deposited into the state general fund, and county taxes are distributed to taxing districts within the county based in the same manner as property taxes.

Leasehold interests with annual rent of less than \$250 per year are exempt from tax. Also exempt are leasehold interests in facilities owned or used by a school, college or university for student housing.

**Summary of Bill:** All leasehold interests granted by a public college or university to a nonprofit organization, association, or corporation for a nominal amount of rent, in connection with the construction or renovation of housing for students, is exempt from the leasehold excise tax. The nonprofit organization, association, or corporation must be qualified for exemption under section 501(c)(3) of the federal Internal Revenue Code.

**Appropriation:** None.

**Fiscal Note:** Requested on February 10, 1997.

**Effective Date:** The bill takes effect on January 1, 1998.

**Testimony For:** There is an increase in demand for affordable student housing. These projects would save students about \$70 per month in rent. The projects would not be feasible without this legislation. No expenditure of state funds is required.

**Testimony Against:** None.

**Testified:** PRO: Doug Breckel, UW; Paul Brown, UW; Jim Hedrick, Department of Revenue.