

# HOUSE BILL REPORT

## SHB 1521

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### As Passed Legislature

**Title:** An act relating to authorizing the state treasurer to distribute interest from the local leasehold excise tax account.

**Brief Description:** Authorizing the state treasurer to distribute interest from the local leasehold excise tax account.

**Sponsors:** By House Committee on Local Government & Housing (originally sponsored by Representatives Simpson, Mulliken, Dunshee, Mielke and Haigh).

### Brief History:

#### Committee Activity:

Local Government & Housing: 1/14/02, 1/14/02 [DPS].

#### Floor Activity:

Passed House: 1/23/02, 95-0.

Passed Senate: 3/5/02, 44-0.

Passed Legislature.

### Brief Summary of Substitute Bill

- The substitute bill incorporates a technical amendment updating the interest disbursement dates from 2001" to 2002.–

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## HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Dunshee, Democratic Chair; Edwards, Democratic Vice Chair; Berkey, Crouse, DeBolt, Dunn, Hatfield, Kirby, Mielke, Mulliken; and Sullivan.

**Staff:** Amy Wood (786-7127).

### Background:

Property owned by federal, state, or local government is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the 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 rate of 12.84 percent is imposed on the amount paid in rent for the public property.

The tax is collected by the Department of Revenue and is distributed to the counties and cities by the state treasurer on a bimonthly basis; i.e., every two months. Interest earnings accrued are not distributed with the principle, but accumulate in the leasehold excise tax account. The interest earnings currently accumulated in the account total approximately one million dollars.

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**Summary of Bill:**

The Local Leasehold Excise Tax act is amended and directs the state treasurer to make one lump sum distribution of all interest earnings accrued before July 31, 2002, to the counties and cities proportionate to the amount of tax collected on behalf of each county and city. In addition, the state treasurer is directed to distribute all interest earnings accrued after July 31, 2002, bimonthly to the counties and cities proportionate to the amount collected on behalf of each county and city.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 9, 2002.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill corrects an oversight in the leasehold excise tax which neglected to provide measures for disbursement of interest earnings along with principle. The bill is essentially a cleanup measure which will allow disbursement of accumulating interest and resolve increasingly difficult accounting on the part of the Department of Revenue. Unless action is taken by the Legislature, the interest will accumulate indefinitely without disbursement to anyone.

**Testimony Against:** None.

**Testified:** In Support: Ron Rosenbloom, Association of Washington Cities; and Julie Sexton, Department of Revenue.