

SENATE BILL REPORT

SB 5977

As of February 1, 2002

Title: An act relating to exempting private residences on United States forest service land from the leasehold excise tax.

Brief Description: Exempting private residences on United States forest service land from the leasehold excise tax.

Sponsors: Senators Rossi, Eide, T. Sheldon, Hochstatter, Stevens, Hargrove, Rasmussen and Roach.

Brief History:

Committee Activity: Ways & Means: 3/6/01, 3/26/01 [DP, DNP]; 2/4/02.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: Property owned by federal, state, or local governments is exempt from the property tax. However, private leases 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. Cities and counties may impose a local tax which are credited against the state tax. 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. The state tax is deposited into the state general fund, and county taxes are distributed to taxing districts within the county in the same manner as property taxes.

Leasehold interests with annual rent of less than \$250 per year are exempt from tax.

Summary of Bill: A leasehold excise tax exemption is provided for the use or possession of U.S. Forest Service land for noncommercial recreational residences where an annual permit fee is paid to the U.S. Department of Agriculture or the U.S. Forest Service. The permit must be renewed at least annually and preclude permanent occupancy. This exemption does not apply to commercial and multiunit housing.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The fees have increased tenfold over the last few years. We do not have leases, and the permits are very restrictive. The property is for occasional use only and cannot be used as a residence or a mailing address. There are no public roads and no services provided. This is a fairness issue.

Testimony Against: None.

Testified: Ted Cowan, Homeowners Assn. (pro).