

FINAL BILL REPORT

2SSB 5154

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Synopsis as Enacted

Brief Description: Providing a leasehold excise tax exemption for certain historical property.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Pridemore and Zarelli).

Senate Committee on Government Operations & Elections

Senate Committee on Ways & Means

House Committee on Finance

Background: Property owned by the federal government, state government, counties, school districts, and other municipal corporations is exempt from taxation under the state constitution. Public lands can be leased to private individuals, and because the land is public and not subject to property tax, the private individual would realize an economic benefit over privately owned property because there is no payment of property tax. To neutralize the economic advantage, the state levies a leasehold excise tax.

A leasehold excise tax is a tax on the act or privilege of occupying or using publicly owned property through a leasehold interest. The rate of leasehold excise tax is 12 percent of the contract rent. Cities and counties may each levy a local leasehold excise tax, which is credited against the state tax. Cities can levy up to 4 percent, and counties up to 6 percent, and the city tax is credited against the county tax.

Common examples of the leasehold excise tax include port property upon which lessees construct warehouses and manufacturing plants; airline facilities at public airports; state grazing lands; and national forest land leased for recreational cabins.

The legislature has exempted a number of different types of leases from the leasehold excise tax, including certain types of property controlled by public development authorities.

Cities may create public corporations, or public development authorities (PDAs), to perform any lawful public purpose or public function. PDAs enjoy the same immunity from taxation as the city or county creating the PDA. Neither cities nor PDAs are immune from the leasehold excise tax, however, the legislature has exempted certain property controlled by a PDA from the leasehold excise tax. Specifically, the leasehold excise tax does not apply to property within a special review district established prior to 1976, or to property listed on any federal or state register of historical sites which is controlled by a PDA that was in existence prior to January 1, 1987. However, the same property would be subject to the leasehold excise tax if controlled by a municipal corporation (city).

Federal law has created a number of national historic reserves throughout the country. There are two national historic reserves located in Washington; Ebey's Landing on Whidbey Island and the Vancouver National Historic Reserve.

Summary: Leasehold interests in municipally owned property that is listed on a federal or state register of historical sites and is wholly contained within a national historic reserve are exempt from the leasehold excise tax.

Votes on Final Passage:

Senate	45	0
House	94	0

Effective: July 24, 2005