

FINAL BILL REPORT

SSB 6389

C 84 L 08

Synopsis as Enacted

Brief Description: Exempting certain military housing from property and leasehold excise taxes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Schoesler, Hobbs, Rasmussen, Marr, Franklin and Kilmer).

Senate Committee on Ways & Means

House Committee on Finance

Background: Property Tax. Real and personal property in this state is subject to property tax each year based on its value. Real property is land and the buildings, structures, or other improvements made to the land. The property tax is calculated by multiplying the assessed value of real property by the tax rate for each taxing district in which the property is located.

All real and personal property is subject to tax, unless a specific exemption is provided by law. Property owned by the United States, the state of Washington, counties, cities, and other local governments is exempted from property tax by the State Constitution, Article 7, sec. 1. This constitutional exemption is codified in statute under RCW 84.36.010.

Leasehold Excise Tax. The leasehold excise tax (LET) applies when persons or businesses use or lease publicly owned property. Because property tax is not levied on public property, leasehold excise tax is imposed in lieu of the property tax to ensure equity in taxation of all property. The rate of leasehold excise tax is 12.84 percent. In general, the tax is measured by the contract rent (the amount paid for the use of the public property). The Legislature has exempted a number of different types of leases from leasehold excise tax.

Military Housing Privatization Initiative. In 1996 the Military Housing Privatization Initiative (MHPI) was enacted by the U.S. Congress as a public/private program whereby private sector developers may own, operate, maintain, improve, and assume responsibility for military family housing. Under the MHPI, the Department of Defense can work with the private sector to provide military family housing with a variety of financial tools, including direct loans, loan guarantees, equity investments, and conveyance or leasing of property or facilities.

Summary: Property and improvements belonging to the United States that are used for the housing of military personnel and their families, pursuant to the Military Housing Privatization Initiative of 1996, are exempt from the property tax and the LET. Initial application for qualification must be made to the Department of Revenue.

Votes on Final Passage:

Senate	49	0	
House	95	1	(House amended)
Senate	48	0	(Senate concurred)

Effective: June 12, 2008