

SENATE BILL REPORT

SSB 6389

As Amended by House, March 5, 2008

Title: An act relating to exempting certain military housing from property and leasehold excise taxes.

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).

Brief History:

Committee Activity: Ways & Means: 1/28/08, 1/31/08 [DPS].
Passed Senate: 2/19/08, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6389 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Honeyford, Keiser, Oemig, Parlette, Rasmussen, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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 authorities, 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 of Substitute Bill: 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.

Appropriation: None.

Fiscal Note: Requested on January 17, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Substitute: PRO: We serve bases and their families by providing high quality housing. Other states have enacted similar property tax exemptions. Property tax payments can be invested into these housing projects to provide additional housing benefits and services to military personnel and their families.

Persons Testifying: PRO: Barrett W. Larwin, James Kennedy, GMH Communities Trust.

House Amendment(s): Clarifies that leasehold exemption applies only to leasehold interests in qualified military housing. Makes additional drafting changes to clarify the property tax exemption.