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**State Government & Tribal Affairs**  
**Committee**

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**HB 1446**

**Brief Description:** Removing essential government services as a condition to exempt from taxation property belonging to any federally recognized Indian tribe located in the state.

**Sponsors:** Representatives Appleton, Santos, McCoy and Ryu.

**Brief Summary of Bill**

- Exempts all property belonging exclusively to a federally recognized Indian tribe located in the state from property tax.
- Extends the leasehold excise tax to include real or personal property owned by a federally recognized Indian tribe.
- Allows a fire protection district or authority to contract with a tribe for compensation for providing fire protection services.

**Hearing Date:** 2/10/11

**Staff:** Marsha Reilly (786-7135).

**Background:**

*Property Taxes.*

All real and personal property in this state is subject to a property tax each year based on its value, 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 under the state Constitution. The Legislature may exempt other property by statute and has enacted a number of exemptions for publicly owned property, property owned by various non-profit organizations, privately owned property, and personal property.

Federal law prohibits the taxation of Indian trust land by state and local governments. Indian trust land is land that the federal government holds in trust for recognized Indian tribes. Tribes

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may own non-trust land, called fee land, and this land is subject to the usual state and local property taxes.

In 2004 a property tax exemption was provided for property belonging exclusively to federally recognized Indian tribes used exclusively for essential government services. Essential government services are defined as services such as tribal administration, public facilities, fire, police, public health, education, sewer, water, environmental and land use, transportation, and utility services.

When exempted property falls within a fire protection district and is owned by the legislative or administrative authority of a state agency or institution or a municipal corporation, the agency or institution or municipal corporation involved must contract with the district for fire protection services, unless fire protection services are provided by contract from another entity.

*Leasehold Excise Tax.*

Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees 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 is 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.

**Summary of Bill:**

All property belonging exclusively to any federally recognized Indian tribe located in the state is exempt from taxation. Publicly owned real or personal property, for purposes of leasehold interest, includes real or personal property owned by a federally recognized Indian tribe in the state.

In the event that exempt tribal property is located within the boundaries of a fire protection district or a regional fire protection service authority, the district or authority is authorized to contract with the tribe for compensation for providing fire protection services in an amount and under such terms as are mutually agreed upon by the district or authority and the tribe.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.