

# SENATE BILL REPORT

## SB 6462

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As of January 26, 2016

**Title:** An act relating to a leasehold excise tax credit for properties of market value in excess of ten million dollars.

**Brief Description:** Concerning a leasehold excise tax credit for properties of market value in excess of ten million dollars.

**Sponsors:** Senators Bailey, Carlyle, Fain and Frockt.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/16.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12 percent of taxable rent - i.e., the contract rent.

The legislative body of any county or town may also levy and collect a leasehold excise tax on leasehold interests in publicly owned property within the territorial limits of the county or city. The tax levied by a county may not exceed 6 percent of taxable rent, and by a city may not exceed 4 percent of taxable rent. After a state leasehold excise tax has been computed a credit is allowed for any county or city leasehold excise tax.

Until 2013, in determining the amount of tax payable, a credit was allowed for certain leasehold interests where the leasehold excise tax exceeded the amount of property tax that would have otherwise applied to the property if it were privately owned by the lessee or sub-lessee. In 2013, the credit was repealed as part of a bill that completely eliminated the requirement for county assessors to value publicly owned property for property tax purposes since this property is exempt from property tax.

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*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.*

**Summary of Bill:** A credit is allowed against the leasehold excise tax for leasehold interests in real property owned by the University of Washington or Washington State University where the leasehold excise tax exceeds the property tax that would apply if the real property was privately owned. the real property parcel must exceed \$10 million in market value. If the parcel does not have a current assessed value, a market value appraisal performed by a Washington state-certified general real estate appraiser can be used.

The credit expires on July 1, 2021.

**Appropriation:** None.

**Fiscal Note:** Requested on January 20, 2016.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: In 2013, the King County assessor stated that too much staff time was spent assessing publicly owned property that didn't owe property tax. Assessing these properties was not an efficient use of staff time. So, the Legislature eliminated the credit which is damaging to the University of Washington (UW) because UW has a significant piece of property in Seattle. UW wants to pay taxes, but wants to have them be in line with those next door or down the street. The leasehold excise tax credit worked as an equalizer for UW previously and would be a beneficial thing to implement again because it would make UW equal to its neighbors. This credit will become more important over time.

**Persons Testifying:** PRO: Jim Justin, University of Washington; Tom Schappacher, UW Real Estate Director of Finance.

Persons Signed In To Testify But Not Testifying: No one.