

HOUSE BILL REPORT

HB 1913

As Reported by House Committee On: Finance

Title: An act relating to creating a leasehold excise tax exemption for certain leasehold interests in facilities owned or used by schools, colleges, or universities.

Brief Description: Creating a leasehold excise tax exemption for certain leasehold interests in facilities owned or used by schools, colleges, or universities.

Sponsors: Representatives Dolan, Van Werven and Haler; by request of State Board for Community and Technical Colleges.

Brief History:

Committee Activity:

Finance: 2/17/17, 3/3/17 [DP].

Brief Summary of Bill

- Provides a leasehold excise tax exemption for certain leasehold interests in facilities owned or used by schools, colleges, or universities.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives Lytton, Chair; Orcutt, Assistant Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Minority Report: Without recommendation. Signed by 2 members: Representatives Frame, Vice Chair; Nealey, Ranking Minority Member.

Minority Report: Do not pass. Signed by 1 member: Representative Condotta.

Staff: Richelle Geiger (786-7139).

Background:

Leasehold excise tax is assessed on the use of public property by a private party, and is in lieu of property tax. The tax rate is 0.1284 percent of the rent paid for the property.

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.

Approximately 53 percent of the tax is directed to the State General Fund, and 47 percent of the tax is returned to the county and city in which the leased property is located.

Leasehold interests in facilities owned or used by a school, college, or university for housing students is exempt from leasehold excise tax.

Summary of Bill:

Leasehold interests in facilities owned or used by a school, college, or university are exempt from leasehold excise tax if they serve one of the following functions: provide food service for students, faculty, and staff; operate a bookstore on campus; or provide maintenance, operational, or administrative services to the school, college, or university.

The tax preference is exempted from the Joint Legislative Audit and Review Commission review and from the automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This year some community colleges were surprised by leasehold excise tax bills that they had not received in the past. Since the Great Recession in 2008, some colleges have contracted with vendors to provide services, such as books or food, instead of cutting programs and classes. The Department of Revenue (Department) is now interpreting these service contracts as "for profit" activity. This is a new interpretation.

As a result, college book stores will build this new tax into what students pay for books. This would mean students are paying more for their books. Colleges want the Legislature to consider if this is what they want.

South Puget Sound Community College (SPSCC) has had a book store service contract for three years, and this was the first year they received a bill for approximately \$15,000. This results in a 7.5 percent increase to textbooks. The average textbook for a nursing student will increase by \$26.25. Science, technology, engineering, and math textbooks will increase by \$18.75. Forty-four percent of the SPSCC students get financial aid, and over 1,600 receive state need grants. This increase will directly impact students.

This bill addresses the leasehold excise tax, which is in lieu of property tax for private companies who lease public land. The Department looks at contracts to determine whether it

applies. If it is purely a service contract and the provider does not keep receipts or control pricing, then there is no leasehold excise tax. If the contract states that the retailer can set its own prices and keep the receipts, then the leasehold excise tax applies.

(Opposed) None.

Persons Testifying: Representative Dolan, prime sponsor; Arlen Harris, State Board for Community and Technical Colleges; and Timothy Stokes, South Puget Sound Community College.

Persons Signed In To Testify But Not Testifying: None.