

# SENATE BILL REPORT

## SB 5198

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As of January 30, 2019

**Title:** An act relating to exempting certain leasehold interests in arenas with a seating capacity of more than two thousand from the leasehold excise tax.

**Brief Description:** Exempting certain leasehold interests in arenas with a seating capacity of more than two thousand from the leasehold excise tax.

**Sponsors:** Senators Darneille, O'Ban and Conway.

**Brief History:**

**Committee Activity:** Ways & Means: 1/31/19.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides a leasehold excise tax exemption for public or entertainment areas of certain arenas.</li></ul>
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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Jeffrey Mitchell (786-7438)

**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 of the rent paid for the property. 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.

All new tax preference legislation must include a tax preference performance statement. Tax preferences include deductions, exemptions, preferential tax rates, and tax credits. The performance statement must clearly specify the public policy objectives of the tax preference and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. New tax preferences expire ten years after the effective date of the tax preference, unless otherwise provided.

**Summary of Bill:** This bill exempts all leasehold interests in the public or entertainment areas of any arena from leasehold excise tax if the arena:

- has a seating capacity of more than 2000;

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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.*

- is located on city owned land; and
- is owned by a city with a population over 200,000 within a county with a population of less than 1,500,000.

The automatic ten-year expiration date for new tax preferences does not apply to the leasehold excise tax exemption.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill takes effect on January 1, 2020.

**Staff Summary of Public Testimony:** PRO: The Tacoma Dome has been in existence for over thirty years. For almost that entire time, the facility qualified for the exemption. It was only after a tax audit led to a new interpretation that the exemption no longer applied. We coordinated with the Department of Revenue to ensure that it is constitutional and otherwise legal in how it is drafted. A previous version of this bill applied to both the Tacoma Dome and Key Arena. The bill before you exclusively applies to the Tacoma Dome. We would like to see the exemption restored to provide equal tax treatment with our competing venues such as baseball and football stadiums and large fairs. This is a competitive disadvantage that should be eliminated. Our food and beverage partner pays leasehold excise tax at the Tacoma Dome, but does not pay the tax at the Tacoma Convention Center.

**Persons Testifying:** PRO: Briahna Murray, Lobbyist, City of Tacoma; Kim Bedier, Director of Venue and Events, City of Tacoma.

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