

SENATE BILL REPORT

SB 5845

As of January 12, 2024

Title: An act relating to taxation of military housing.

Brief Description: Concerning taxation of military housing.

Sponsors: Senators Muzzall, Frame, Hasegawa and Wagoner.

Brief History:

Committee Activity: Ways & Means: 1/16/24.

Brief Summary of Bill

- Repeals the military housing property tax and leasehold excise tax exemptions beginning in calendar year 2025.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: 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 are exempted from property tax. Private lessees of government property are subject to the leasehold excise tax (LET). The purpose of LET is to impose a tax burden on persons using publicly-owned, tax-exempt property, by an amount similar to the property tax they would pay if they owned the property. The tax is collected by public entities that

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lease property to private parties. The combined state and local rate for LET is 12.84 percent of the rent paid for the property. The state general fund receives 6.84 percent and the remaining 6 percent goes to local governments. The Legislature has exempted a variety of leasehold interests including privately owned military housing situated on land owned in fee by the United States.

Military housing and ancillary supporting facilities developed under the Military Housing Privatization Initiative are exempt from property taxation and LET. The property must be used for the housing of military personnel and their families and be located on land owned by the United States.

State and local government property taxes are limited by a statutory maximum growth rate in the amount of tax revenue that may be collected from year to year. The limit requires a reduction of property tax rates as necessary to limit the growth in the total amount of property tax revenue received to the lesser of 1 percent or inflation. The revenue limitation does not apply to new value placed on tax rolls attributable to new construction, improvements to existing property, changes in state-assessed valuation, or to construction of certain wind turbines.

LET is paid by a private entity that leases or uses public property under current law. This includes leases of government-owned property exempt from property taxes. The combined state and local rate for LET is 12.84 percent of the rent paid for the property. The state general fund receives 6.84 percent and the remaining 6 percent goes to local governments. The Legislature has exempted a variety of leasehold interests including several public stadiums and arenas such as the stadiums used for professional football and baseball as well as several other types of public facilities.

Summary of Bill: The military housing property tax exemption and LET exemption are eliminated beginning with taxes levied in calendar year 2025.

The property tax revenue limit for state and local governments is modified to allow additional property taxes to be collected based on the repeal of the military housing property tax exemption.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.