
State Government & Tribal Affairs
Committee

HB 1526

Brief Description: Removing essential government services as a condition to exempt from taxation property belonging to federally recognized Indian tribes.

Sponsors: Representatives Santos, Simpson, McCoy, Sullivan and Nelson.

Brief Summary of Bill

- Removes "essential government services" as a condition for exemption of property tax on property owned by a federally recognized Indian tribe, and provides that this exempt property is subject to leasehold excise tax.

Hearing Date: 2/12/09

Staff: Pam Madson (786-7111)

Background:

Property Taxes:

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

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.

In 2004 a property tax exemption was provided for property belonging exclusively to a federally-recognized Indian tribe 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.

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:

Essential government services as a condition to exempt property owned by federally-recognized Indian tribes from property taxes is removed, and the exempted property is subject to the leasehold excise tax.

Appropriation: None.

Fiscal Note: Not requested.

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