

# HOUSE BILL REPORT

## SB 6855

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**As Passed House:**  
March 11, 2010

**Title:** An act relating to exempting community centers from property taxation and imposing leasehold excise taxes on such property.

**Brief Description:** Exempting community centers from property taxation and imposing leasehold excise taxes on such property.

**Sponsors:** Senators McDermott and Kohl-Welles.

**Brief History:**

**Committee Activity:**

None.

**Floor Activity:**

Passed House: 3/11/10, 83-14.

**Brief Summary of Bill**

- Exempts community centers from property tax.
- Requires payment of leasehold excise tax when community center property is rented to tenants that are not eligible for a property tax exemption.

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**Staff:** Susan Howson (786-7142).

**Background:**

All real and personal property in Washington is subject to property tax, unless a specific exemption is provided by law. The tax is based on the assessed value of the property. The constitution provides for an exemption on all governmental properties.

The leasehold excise tax is a tax in lieu of the property tax. It applies to interests in publicly-owned real or personal property. This typically involves a private lease of public property often when buildings or other improvements have been added. The leasehold interest in the public land or publicly-owned structures is subject to the leasehold tax, while the privately-

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owned improvements are subject to the regular property tax. In most instances, the tax is measured by contract rent or the amount paid for use of the public property. The rate of the tax is 12.84 percent. Cities and counties may levy a local leasehold excise tax on leasehold interests in public property within their jurisdictions at a rate up to a maximum of 6 percent, thus reducing the state rate on such property to 6.84 percent. The tax is collected by public entities that lease property to private lessees and is reported by the lessor to the Department of Revenue on a quarterly basis.

**Summary of Bill:**

A property tax exemption is provided for certain community centers. The property tax exemption is in effect for 40 years from the time of acquisition.

The leasehold excise tax applies to the rental of property from a community center that is otherwise exempt from property taxation under this law.

Community centers affected by this legislation are those that include a building or buildings determined to be surplus to the needs of a school district and purchased by a nonprofit organization for the purpose of converting them into community facilities for the delivery of nonresidential coordinated services for community members. The community center may make space available to businesses, individuals, or other parties through the loan or rental of space in or on the property.

The act applies to taxes levied for collection beginning in 2011 and thereafter.

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**Appropriation:** None.

**Fiscal Note:** Available.

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