

# HB 1782

## Bill Analysis

February 16, 1999

**Brief Description:** Providing clarification and administrative simplification for the leasehold excise tax.

**Bill Sponsors:** Representatives Cox, Schoesler and Haigh; by request of Department of Revenue.

### Leasehold excise tax exemption changes:

- Exempts use of public land to remove purchased natural resource products from tax.
- Exempts use of public lands for natural resource energy exploration from tax.
- Increases tax exemption for leases with annual rents of less than \$250 to \$1000.
- Eliminates need to determine value of agricultural products on the fifteenth date of a month. Value may be determined on whatever date agricultural products are delivered to a storage facility.

**Staff:** Linda Brooks, 786-7153.

### Background:

The Constitution exempts property owned by the United States, the state, cities, counties, school districts, and other municipal corporations from property tax. However, when a publicly-owned property is leased for a private purpose, the private user must pay leasehold excise tax. Leasehold excise tax is imposed in lieu of property tax.

The government leasing the publicly-owned property is responsible for collecting the

leasehold excise tax from the private user. The state leasehold excise tax rate is 12.84 percent of the amount paid in rent for use of the publicly-owned property. Cities and counties may impose a local tax which is credited against the state tax.

Rents are sometimes paid in a variety of ways. A person who leases a parcel of publicly-owned property to produce agricultural products may be allowed to pay rent as a percentage of the value of the agricultural products. The value of these agricultural products is determined on the fifteenth day of the month in which the agricultural products are delivered.

Not every private use of a publicly-owned property is subject to leasehold excise tax. Some examples of private uses of public property that are exempt from leasehold excise tax are:

- Road and utility easements;
- Student housing at public schools and colleges;
- Leases of property for agricultural fairs; and
- Leases with annual rents of less than \$250.

Occupancy or use of publicly-owned property for the purpose of removing materials or products is also exempt from leasehold excise tax, if a person has purchased those materials or products from the governmental owner or lessee of the property.

### **Summary of Bill:**

When leasehold excise tax is paid as a percentage of the value of agricultural products produced on public lands, value is determined on the date that the agricultural products are delivered to a storage facility.

Any private lease of public property with an annual rent of less than \$1,000 is exempt from leasehold excise tax (this \$1,000 is an increase from \$250.)

Occupancy or use of publicly-owned property for the purpose of removing materials, products, or natural resource products is exempt from leasehold excise tax, if a person has purchased those materials, products, or natural resource products from the governmental owner or lessee of the property. Natural resource products are defined as including:

- cut or picked evergreen foliage;

- Cascara bark;
- wild edible mushrooms;
- native ornamental trees and shrubs;
- ore and minerals;
- geothermal water and steam; and
- forage removed through the grazing of livestock.

Occupancy or use of publicly-owned property for the purpose of natural resource energy exploration is also exempt from leasehold excise tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which the bill is passed.