

FINAL BILL REPORT

ESSB 5661

C 220 L 99

Synopsis as Enacted

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rasmussen and Honeyford; by request of Department of Revenue).

Senate Committee on Ways & Means

House Committee on Finance

Background: 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.

Occupancy or use for the purpose of removing materials or products purchased from a public owner or the lessee of a public owner is not taxable. The department does not tax permits to remove cut or picked evergreen foliage (brush picking), Cascara bark, wild edible mushrooms, native ornamental trees and shrubs, ore and minerals, natural gas, or geothermal water and steam. The Department of Revenue has ruled administratively that certain types of federal livestock grazing permits are not taxable. However, other federal permits, as well as state livestock grazing permits, continue to be taxable.

The department has also ruled administratively that natural gas exploration leases are not taxable. It has not been determined if geothermal exploration leases are taxable.

The tax is imposed on the contract rent. For leases where rent is paid by the delivery of agricultural products, the value of the agricultural products received as rent is the value at the place of delivery as of the 15th of the month of delivery. For all other products received as rent, the value is the value determined at the time of sale under the lease.

Leasehold interests with annual rent of less than \$250 are exempt from tax.

Summary: For purposes of permits to remove materials and products from public lands that are not taxable, products— include natural resource products such as cut or picked evergreen foliage, Cascara bark, wild edible mushrooms, native ornamental trees and shrubs, ore and minerals, natural gas, geothermal water and steam, and forage removed through the grazing of livestock.

The use of public lands for natural resource energy exploration is exempt from tax.

For leases where rent is paid by the delivery of agricultural products, the value of the agricultural products received as rent is the value at the time of sale.

Votes on Final Passage:

Senate	48	0	
House	92	0	(House amended)
Senate	39	0	(Senate concurred)

Effective: July 25, 1999