
Finance Committee

SB 5154

Brief Description: Changing the leasehold excise tax exemption for certain historical property.

Sponsors: Senators Pridemore and Zarelli.

Companion Bill: HB 1239

Brief Summary of Bill

- Exempts historical property from leasehold excise tax if the property is owned by a municipal corporation, listed on a federal or state register of historical sites, and wholly contained within a national historic reserve.

Hearing Date:

Staff: Bob Longman (786-7139).

Background:

Property owned by federal, state, or local governments is exempt from property tax. Public lands can be leased to private individuals. These leases are subject to 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 state imposes a leasehold excise tax equal to 12 percent of the contract rent. Contract rent is the amount the lessee pays for use of the public property. The tax is collected by the public entity from the lessee, and paid to the Department of Revenue.

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 maximum city rate is 4 percent and it is credited against the county tax. Thus, the maximum county rate is 6 percent in unincorporated areas and 2 percent in cities which levy the maximum city rate.

Common examples of the leasehold excise tax include port property upon which lessees construct warehouses and manufacturing plants; airline facilities at public airports; state grazing lands; and national forest land leased for recreational cabins.

Cities may create public corporations, or public development authorities (PDAs), to perform any lawful public purpose or public function. PDAs enjoy the same immunity from taxation as the city or county creating the PDA. Neither cities nor PDAs are immune from the leasehold excise

tax, however, the legislature has exempted certain property controlled by a PDA from the leasehold excise tax. Specifically, the leasehold excise tax does not apply to property within a special review district established prior to 1976, or to property listed on any federal or state register of historical sites which is controlled by a PDA that was in existence prior to January 1, 1987. However, the same property would be subject to the leasehold excise tax if controlled by a municipal corporation (city).

Federal law has created a number of national historic reserves throughout the country. There are two national historic reserves located in Washington; Ebey's Landing on Whidbey Island and the Vancouver National Historic Reserve.

Summary of Bill:

Leasehold interests in property are exempt from the leasehold excise tax if the property meets all of these conditions: The property is owned by a municipal corporation, the property is listed on a federal or state register of historical sites, and the property is wholly contained within a national historic reserve.

Appropriation: None.

Fiscal Note: Requested on March 13, 2005.

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