
Finance Committee

HB 1301

Brief Description: Exempting certain leasehold interests in arenas with a seating capacity of more than two thousand from the leasehold excise tax.

Sponsors: Representatives Kirby, Fey, Jenkins, Kilduff, Morgan, Leavitt and Wylie.

Brief Summary of Bill

- Provides a leasehold excise tax for all leasehold interests in the public or entertainment areas of an arena that has a seating capacity of more than 2,000 persons, is located on city-owned land, and is owned by a city with a population of over 200,000 persons in a county with a population of less 1.5 million persons.

Hearing Date: 2/5/19

Staff: Tracey O'Brien (786-7152).

Background:

Leasehold Excise Tax.

State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12.84 percent of taxable rent, i.e., the contract rent.

The legislative body of any county or town may also levy and collect a leasehold excise tax on leasehold interests in publicly owned property within the territorial limits of the county or city. The tax levied by a county may not exceed 6 percent of taxable rent and, by a city, may not exceed 4 percent of taxable rent. If imposed, the local leasehold taxes a credited against the state tax so the maximum total rate is 12.84 percent.

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.

There are several statutory leasehold excise tax exemptions. There are exemptions for subsidized military housing and space in state prisons used by Correctional Industries. Several sports and entertainment facilities utilize a leasehold excise tax exemption, including T-Mobile Park, CenturyLink Stadium, and Sunlight Supply Amphitheater.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

All leasehold interest in the public or entertainment areas of an arena may be exempt from the leasehold excise tax. In order to qualify, the arena must have a seating capacity of more than 2,000 persons, be located on city owned land and be owned by a city of over 200,000 residents within a county with a population of less than 1.5 million.

This act is exempt from the requirements of a tax preference performance statement, a JLARC review and the automatic 10-year expiration.

Appropriation: None.

Fiscal Note: Available.

Effective Date: January 1, 2020.