

SENATE BILL REPORT

SB 5699

AS PASSED SENATE, FEBRUARY 10, 1992

Brief Description: Providing tax exemptions for certain leasehold interests.

SPONSORS: Senators Owen and Conner.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Hayner, Johnson, L. Kreidler, Metcalf, Murray, Newhouse, Niemi, Owen, Saling, L. Smith, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: March 5, 1991; March 6, 1991

BACKGROUND:

The state, counties, and cities levy leasehold excise taxes "in-lieu" of property taxes on private lessees who lease or rent publicly-owned property. Typically, these kinds of properties are public ports (wharves, warehouses, etc.) or other public facilities. A state tax of 12.84 percent is imposed against which is credited any local tax. Counties and cities may impose a leasehold excise tax of up to 6 percent and 4 percent respectively.

The leasehold excise tax is imposed on the taxable rent. Taxable rent is generally equal to the rent paid under the lease between the public owner and the private lessee. If a lease is in effect for more than 10 years without renegotiation of the terms of the lease, the Department of Revenue may establish a taxable rent that reflects a fair rate of return on the open market.

A credit is authorized in the amount that the leasehold excise tax exceeds the amount of property taxes that would be paid if the property were privately owned.

SUMMARY:

Leasehold interests held by lessees who would meet the requirements for a senior citizen property tax exemption if the property were owned by the lessees shall receive a leasehold excise tax exemption of an equal percentage.

Leases of 10 years or more that contain a provision for adjustment of the rent at least every five years based on a standard inflation index would be considered to be

renegotiated by the Department of Revenue for calculating the leasehold excise tax.

Also included is a specific reference to appeals as part of the administration process.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

The taxes imposed on property at Lake Cushman was 12 times higher than was anticipated. This bill does not exempt leases from taxes, it just makes them more reasonable.

TESTIMONY AGAINST: None

TESTIFIED: Robert Wilson, Leasehold Tax Committee (pro)