

# HOUSE BILL REPORT

## SHB 2582

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As Passed Legislature

**Title:** An act relating to leasehold excise taxes.

**Brief Description:** Affecting leasehold excise taxes.

**Sponsors:** By House Committee on Revenue (originally sponsored by Representatives Sheldon and Holm).

**Brief History:**

Reported by House Committee on:  
Revenue, February 5, 1994, DPS;  
Passed House, February 12, 1994, 91-0;  
Passed Legislature.

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### HOUSE COMMITTEE ON REVENUE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Anderson; Caver; Leonard; Romero; Rust; Talcott; Thibaudeau and Wang.

**Staff:** Rick Peterson (786-7150).

**Background:** The leasehold excise tax is imposed on property used for private purposes that is also exempt from property taxation because the property is publicly owned. The tax is collected by public entities that lease property to private parties. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

If the rent for public property is not established through competitive bidding or where the lease has been in effect for more than 10 years without renegotiation, the Department of Revenue may establish a "market value" rent. When establishing a market value rent, the Department of Revenue often bases the rent on an appraisal of the property by the county assessor.

For property tax purposes, property is assessed at its true and fair market value, unless the property qualifies under a special tax relief program. Some senior citizens and persons retired due to disability are entitled to property tax relief on their principal residences. To qualify, a person must be 61 in the year of application or retired from

employment because of a physical disability. They must also own their principal residence, and have disposable income below certain levels. Eligible persons with incomes less than \$26,000 receive partial exemptions of tax.

The leasehold excise tax does not contain a provision for tax relief equivalent to the senior citizen and disabled persons property tax relief program.

**Summary of Bill:** Appeal rights are clarified for lessees and sublessees if the Department of Revenue establishes a market value rent for the leasehold excise tax. A lessee or sublessee, in the case where the sublessee is responsible for paying the leasehold excise tax, may appeal the property appraisal to the county board of equalization if the county assessor provided the appraisal to the Department of Revenue. An appeal may also be made directly to the Department of Revenue.

Lessees and sublessees meeting the qualifications of the senior citizen and disabled persons property tax relief program are given the same percentage relief on the leasehold tax as that given to homeowners in the senior citizen and disabled persons property tax relief program.

**Fiscal Note:** Available. New fiscal note requested for substitute bill on February 7, 1994.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill supports fairness for these taxpayers who pay the leasehold excise tax. It gives them the same rights given to all other taxpayers. The current situation is taxation without appeal. It is unfair for people not to have an appeal process.

**Testimony Against:** None.

**Witnesses:** Tim Sheldon, Prime Sponsor; Darryl Cleveland, Assessor, Mason County; and John K. Ricker, Lake Cushman Maintenance Company.