

HOUSE BILL REPORT

SSB 6389

As Reported by House Committee On:
Finance

Title: An act relating to exempting certain military housing from property and leasehold excise taxes.

Brief Description: Exempting certain military housing from property and leasehold excise taxes.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Schoesler, Hobbs, Rasmussen, Marr, Franklin and Kilmer).

Brief History:

Committee Activity:

Finance: 2/22/08, 2/27/08 [DPA].

**Brief Summary of Substitute Bill
(As Amended by House Committee)**

- Exempts military housing and ancillary supporting facilities developed under the Military Housing Privatization Initiative from property taxation and leasehold excise tax.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 8 members: Representatives Hunter, Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Minority Report: Do not pass. Signed by 1 member: Representative Hasegawa, Vice Chair.

Staff: Rick Peterson (786-7150).

Background:

Real and personal property in this state is subject to property tax each year based on its value. Real property is land and the buildings, structures, or other improvements made to the land.

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.

The property tax is calculated by multiplying the assessed value of real property by the tax rate for each taxing district in which the property is located.

All real and personal property is subject to tax, unless a specific exemption is provided by law. Property owned by the United States, the State of Washington, counties, cities, and other local governments are exempted from property tax.

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, by an amount that is 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. Counties may impose a tax of up to 6 percent, and cities may impose a tax of up to 4 percent. The city tax is credited against any county tax. The state tax is deposited into the State General Fund, and county taxes are distributed to taxing districts within the county in the same manner as property taxes.

In 1996 the Military Housing Privatization Initiative (MHPI) was enacted by the U.S. Congress as a public/private program whereby private sector developers may own, operate, maintain, improve, and assume responsibility for military family housing. Under the MHPI authorities, the Department of Defense can work with the private sector to provide military family housing with a variety of financial tools, including direct loans, loan guarantees, equity investments, and conveyance or leasing of property or facilities.

Summary of Amended Bill:

Military housing and ancillary supporting facilities developed under the Military Housing Privatization Initiative are exempt from property taxation and leasehold excise tax. The property must be used for the housing of military personnel and their families and be located on land owned by the United States. Initial application for qualification must be made to the Department of Revenue. Any change in the use of the property must be reported to the Department of Revenue.

Amended Bill Compared to Substitute Bill:

The amendment clarifies that leasehold exemption applies only to leasehold interests in military housing developed under the Military Housing Privatization Initiative and not to all federally owned property. The amendment makes other nonsubstantive, technical changes relating to clarity and placement of language.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The Military Housing Privatization Initiative is designed to develop and maintain housing for active duty military personnel. The developers and military agree to a 50 year ground lease. The private developer only retains 10 percent of the rent. Ninety percent of the rent goes back into the project. Spokane is worried about the base realignment and closure process. One of the elements evaluated is housing. If housing is adequate then it is less likely a base will be closed.

(Opposed) None.

Persons Testifying: Mike Burgess, Spokane County and Government Military Housing.

Persons Signed In To Testify But Not Testifying: None.