

SENATE BILL REPORT

SB 5021

AS OF FEBRUARY 18, 1991

Brief Description: Exempting residential property from the leasehold excise tax.

SPONSORS: Senator Barr.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Hearing Dates:

BACKGROUND:

A person owning a cabin or other residential structure on land that is leased from the state, local, or federal governments is subject to two taxes: A personal property tax and a leasehold excise tax.

The personal property tax is imposed on the value of privately owned structures on public property. Since the structures are owned separately from the land, they are considered personal property for property tax purposes.

Since public property is exempt from the property tax, the leasehold excise tax is in lieu of a property tax on the land. The leasehold excise tax is imposed on the amount of the rent. When the residential structure is privately owned, the rent is for the land only, not the residential structure. 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.

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. In addition, the leasehold excise tax does not apply to leases for which the yearly rent is less than \$250.

SUMMARY:

Leasehold interests in real property used for residential purposes are exempt from the leasehold excise tax if the residential structure is owned by the lessee and is subject to the personal property tax.

Appropriation: none

Revenue: none

Fiscal Note: requested January 17, 1991

