
**Community Development, Housing &
Tribal Affairs Committee**

HB 1287

Brief Description: Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe.

Sponsors: Representatives Appleton, Dahlquist, Hurst, McCoy, Ryu, Santos and Pollet.

Brief Summary of Bill

- Exempts a leasehold interest in property owned by a federally recognized Indian tribe from state property taxation.
- Extends the state leasehold excise tax to a private leasehold interest in property owned by a federally recognized Indian tribe.
- Recognizes economic development as an essential government service for purposes of qualifying tribally owned property for state tax exemption.

Hearing Date: 1/30/13

Staff: Sean Flynn (786-7124).

Background:

Real and personal property in the state is subject to a property tax based on the assessed value of the property. The state constitution exempts property owned by federal, state, or local governments from property tax obligations. The Legislature may exempt other property from taxation by statute.

The Legislature exempts a private leasehold interest in government-owned tax-exempt property from property tax. In lieu of a property tax, however, the leasehold interest may be subject to a leasehold excise tax on the possession and use of the property. This excise tax is assessed on the contract rent for the leasehold.

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 Legislature also exempts all property belonging exclusively to a federally recognized Indian tribe from state taxation if the property is used exclusively for essential governmental services. Essential governmental services includes tribal administration, public facilities, fire, police, public health, education, sewer, water, environmental and land use, transportation, and utility services. Federal law may also preempt the state's ability to tax tribal property, including on lands held in trust for tribes by the federal government.

Real property sold on contract by the federal, state or local government that entitles the vendee to possess and use the property in compliance with the terms of the contract, must be assessed and taxed as if the property were privately owned. The title retained by the government body is deemed only as a security for the fulfillment of the contract, although no foreclosure for delinquent taxes may affect the title retained by the government body.

Summary of Bill:

A private leasehold interest in tax-exempt in property owned by a federally recognized Indian tribe is exempt from property taxes. A private leasehold interest in tax-exempt tribal property is subject to a leasehold excise tax.

Economic development is recognized as an essential government service for purposes of qualifying tribally owned property for tax exempt status.

Property sold on contract by a federally recognized tribes that entitles the vendee to possess and use the property in compliance with the terms of the contract, must be assessed and taxed as if the property were privately owned.

Appropriation: None.

Fiscal Note: Requested on January 25, 2013.

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