

FINAL BILL REPORT

SHB 1163

C 343 L 23
Synopsis as Enacted

Brief Description: Exempting certain leasehold interests in arenas with a seating capacity of more than 2,000 from the leasehold excise tax.

Sponsors: House Committee on Finance (originally sponsored by Representative Fey).

House Committee on Finance

Senate Committee on Business, Financial Services, Gaming & Trade

Senate Committee on Ways & Means

Background:

Leasehold Excise Tax.

State leasehold excise taxes are levied and collected on the act or privilege of occupying or using publicly owned real or personal property through a leasehold interest. A leasehold interest is an interest in publicly owned real or personal property that exists by virtue of any lease, permit, license, or other written or verbal agreement between a public owner and a person who would not be exempt from property taxes if that person owned the property. The leasehold excise tax is levied at a rate of 12.84 percent of taxable rent.

The legislative body of any county or town may also levy and collect a leasehold excise tax on leasehold interests in publicly owned property within the territorial limits of the county or city. The tax levied by a county may not exceed 6 percent of taxable rent and, by a city, may not exceed 4 percent of taxable rent. If imposed, the local leasehold tax is credit against the state tax, so the maximum total rate remains 12.84 percent.

There are several leasehold excise tax exemptions. The exemptions include subsidized military housing as well as space in state prisons used by the division of the Department of Corrections. In addition, several sports and entertainment facilities utilize a leasehold excise tax exemption, including the Tacoma Dome, T-Mobile Park, CenturyLink Stadium, and Sunlight Supply Amphitheater.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 650 tax preferences. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary:

Beginning October 1, 2023, all leasehold interest in the public or entertainment areas, as well as some of the office areas, of a qualified arena are exempt from the state leasehold tax. A qualified arena has a seating capacity of at least 2,000, is located on city-owned land, is located in a city with a population of over 100,000, and the cost of constructing improvements to the arena were incurred by private entities that were not reimbursed by the public owner. Any taxpayer claiming the exemption must file a complete annual tax performance report.

There is a tax preference performance statement that states that the Legislature intends for this tax preference to induce certain taxpayer behavior and provide tax parity. The tax preference is subject to a JLARC review and the automatic 10-year expiration.

Votes on Final Passage:

House	93	2	
Senate	42	7	(Senate amended)
House	87	9	(House concurred)

Effective: October 1, 2023