# SENATE BILL REPORT
# SHB 1163

As of March 14, 2023

**Title:** An act relating to exempting certain leasehold interests in arenas with a seating capacity of more than 2,000 from the leasehold excise tax.

**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).

**Brief History:** Passed House: 3/6/23, 93-2.
**Committee Activity:** Business, Financial Services, Gaming & Trade: 3/16/23.

**Brief Summary of Bill**

- Creates a Leasehold Excise Tax exemption for leasehold interests in the public or entertainment areas of arenas with a seating capacity of at least 2000, and meeting several other requirements.

## SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** Leasehold Excise Tax. Leasehold excise tax (LET) is paid by a private entity that leases or uses public property under current law. This includes leases of government-owned property exempt from property taxes. The combined state and local rate for LET is 12.84 percent of the rent paid for the property. The state general fund receives 6.84 percent and the remaining 6 percent goes to local governments. The Legislature has exempted a variety of leasehold interests including several public stadiums and arenas such as the stadiums used for professional football and baseball, as well as several other types of public facilities.

Tax Preference Review Requirements. State law provides a range of tax preferences that

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confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee (JLARC) can use to review the effectiveness of the preference in achieving its stated public policy objectives. Tax preferences must be reviewed by JLARC at least once every ten years, unless state statute requires otherwise. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration. To assist the Legislature in its evaluation of economic development-related tax preferences, taxpayer beneficiaries are required to file annual tax preference performance reports detailing wages and employment of the taxpayer as well as tax savings from the tax preference.

**Summary of Bill:** All leasehold interests in the public or entertainment areas of an arena are exempted from LET if:

- the arena has a seating capacity of more than 2000;
- the arena is located on city-owned land;
- the arena is located within a city with a population over 100,000;
- the arena is a multipurpose sports and entertainment facility redeveloped to attract a professional ice hockey franchise; and
- private entities were responsible for 100 percent of the cost of constructing improvements to the arena, which were not reimbursed by the public owner.

The LET exemption would not apply to leasehold interests arising after October 1, 2033, that is new leases formed after October 1, 2033.

The act is exempt from the requirements of a tax preference performance statement, a JLARC review and the automatic ten-year expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill takes effect on October 1, 2023.