

SENATE BILL REPORT

SHB 2582

AS PASSED SENATE, MARCH 1, 1994

Brief Description: Affecting leasehold excise taxes.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Sheldon and Holm)

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chairman; Quigley, Vice Chairman; Anderson, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, McDonald, Moyer, Owen, Pelz, Roach, L. Smith, Snyder, Spanel, Talmadge, West, Williams and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 23, 1994

BACKGROUND:

The leasehold excise tax is imposed on property used for private purposes that is also exempt from property taxation because the property is publicly owned. The tax is collected by public entities that lease property to private parties. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

If the rent for public property is not established through competitive bidding or where the lease has been in effect for more than 10 years without renegotiation, the Department of Revenue may establish a "market value" rent. When establishing a market value rent, the Department of Revenue often bases the rent on an appraisal of the property by the county assessor.

For property tax purposes, property is assessed at its fair market value, unless the property qualifies under a special tax relief program. Some senior citizens and persons retired due to disability are entitled to property tax relief on their principal residences. To qualify, a person must be 61 in the year of application or retired from employment because of a physical disability. They must also own their principal residence, and have disposable income below certain levels. Eligible persons with incomes less than \$26,000 receive partial exemptions of tax.

The leasehold excise tax does not contain a provision for tax relief equivalent to the senior citizen and disabled persons property tax relief program.

SUMMARY:

Appeal rights are clarified for lessees and sublessees if the Department of Revenue establishes a market value rent for the leasehold excise tax. A lessee or sublessee, in the case where the sublessee is responsible for paying the leasehold excise tax, may appeal the property appraisal to the county board of equalization if the county assessor provided the appraisal to the Department of Revenue. An appeal may also be made directly to the Department of Revenue.

Lessees and sublessees meeting the qualifications of the senior citizen and disabled persons property tax relief program are given the same percentage relief on the leasehold tax as that given to homeowners in the senior citizen and disabled persons property tax relief program.

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill contains an emergency clause and takes effect immediately.

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one