

PROPERTY TAXES

IN LIEU EXCISE TAXES - LEASEHOLD EXCISE TAX

35.21.755 PUBLIC HISTORICAL SITES

Description: Exemption from leasehold excise tax is provided for property listed on a federal or state historic register that is controlled by a public corporation, commission or authority that was in existence before 1987. Also exempt is property that is located in a special review district which was established prior to 1976.

Purpose: To support the social benefits provided by publicly owned historical sites.

Category/Year Enacted: Government. 1977

Primary Beneficiaries: There are approximately ten properties exempt under this statute.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 233	\$ 246	\$ 259	\$ 272
Local taxes	\$ 205	\$ 215	\$ 227	\$ 239

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.29A.020(1) GOVERNMENT MANUFACTURING

Description: Excluded from the term "leasehold interest" is any interest in personal property owned by the U.S. government or a foreign government, if the right to use such property is part of a contract to produce articles for sale to these governments.

Purpose: To minimize the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Contractors with the federal and foreign governments.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 842	\$ 877	\$ 913	\$ 951
Local taxes	\$ 738	\$ 769	\$ 801	\$ 834

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.29A.020(1) EASEMENTS FOR REMOVING PRODUCTS

Description: Excluded from the term "leasehold interest" are road or utility easements and rights of access, occupancy or use granted solely for the purpose of removing materials or products purchased from a public owner or lessee or for the purpose of natural energy resource exploration.

Purpose: To minimize costs to private firms and individuals who use public lands for these purposes.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Utility companies and other businesses and individual who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. that are purchased from public entities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 234	\$ 246	\$ 259	\$ 273
Local taxes	\$ 205	\$ 216	\$ 227	\$ 239

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.29A.020(2) HANFORD LEASES, SPECIAL FEES

Description: For purposes of determining leasehold tax on lands on the Hanford reservation which are subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments or other charges.

Purpose: To reduce the cost of such leases.

Category/Year Enacted: Other business. 1991

Primary Beneficiaries: One firm meets the special criteria for this exclusion.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 4	\$ 4	\$ 4	\$ 4
Local taxes	\$ 4	\$ 4	\$ 4	\$ 4

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely; this reflects a negotiated settlement between the state and the firm.

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82.29A.120(1) CREDIT FOR EXCESSIVE LEASEHOLD TAX

Description: A credit is allowed against leasehold tax for two types of leases: (1) leases, other than product leases, executed after April 1, 1986, and (2) leases in which the Department of Revenue determines the amount of contract rent. For both types of leases the credit is equal to the amount that the computed leasehold tax exceeds the amount of property taxes that would apply to the leased property if the property were in private ownership.

Purpose: The credit assures that the leasehold tax, which is in lieu of property tax, does not exceed the equivalent amount of property tax.

Category/Year Enacted: Other business. 1986

Primary Beneficiaries: Lessees of public property.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 91	\$ 93	\$ 98	\$ 104
Local taxes	\$ 79	\$ 82	\$ 86	\$ 91

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.29A.120(2) PRODUCT LEASES, 33% CREDIT

Description: A credit is allowed equal to 33 percent of the tax otherwise due on product leases, i.e., leases where the lessee pays the lessor a percentage of the value of the crop produced on the land.

Purpose: To support agriculture.

Category/Year Enacted: Agriculture. 1976; definition of products broadened in 1999.

Primary Beneficiaries: Farmers who produce crops or graze livestock on publicly owned land.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 113	\$ 114	\$ 116	\$ 117
Local taxes	\$ 99	\$ 100	\$ 102	\$ 103

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.130(3) SUBSIDIZED HOUSING

Description: Excluded from leasehold excise tax are leases of subsidized housing where fee ownership is vested in the U.S. government, the state, or any political subdivision. There must be an income qualification for such housing in order for the exemption to apply.

Purpose: To support public housing for low-income individuals.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public housing authorities and the individuals who reside in subsidized housing.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 11,306	\$ 11,730	\$ 12,170	\$ 12,627
Local taxes	\$ 9,917	\$ 10,289	\$ 10,675	\$ 11,076

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.29A.130(5) RESIDENCES OF PUBLIC EMPLOYEES

Description: When public employees are required by the terms of their employment to live in a publicly owned residence (e.g., at state parks), the property comprising the residence is not subject to leasehold excise tax.

Purpose: This exemption was enacted as part of legislative policy to not tax government. Also, the tax would in essence reduce employee compensation or increase government costs.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public employees who must live in government housing.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 133	\$ 140	\$ 147	\$ 155
Local taxes	\$ 117	\$ 123	\$ 129	\$ 136

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.29A.130(6-7) INDIAN TRUST LANDS

Description: Leasehold interest in Indian lands by any Indian or Indian tribe, if the fee ownership of the property is held in trust by the United States, is exempt from leasehold tax. Leases by non-Indians are exempt when the contract rent paid is greater than or equal to 90 percent of fair market value.

Purpose: Federal law prohibits the taxation of trust lands of enrolled Indians.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Indians and non-Indians with qualifying leases of Indian property.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 354	\$ 373	\$ 393	\$ 414
Local taxes	\$ 311	\$ 327	\$ 345	\$ 363

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.29A.130(8-9) LEASES LESS THAN \$250 PER YEAR OR 30 DAYS

Description: Leases of public property are exempt from leasehold tax if the total annual rent is less than \$250 or if the lease period does not exceed 30 consecutive days in duration.

Purpose: The \$250 annual threshold supports small businesses and provides administrative convenience for both lessees and lessors. The 30 day threshold can apply to both small and large lessees. It encourages short-term events, such as sporting events and trade shows, to take place in Washington.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Qualifying lessees.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 2,214	\$ 2,331	\$ 2,455	\$ 2,585
Local taxes	\$ 1,942	\$ 2,045	\$ 2,153	\$ 2,268

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.130(10) HOMES PENDING DESTRUCTION

Description: Month-to-month leases in residential units rented for residential purposes pending destruction or removal to construct a public highway or building are exempt from leasehold tax.

Purpose: When a private residence is either condemned or purchased outright to make way for a public project, this exemption provides tax relief during the transition period.

Category/Year Enacted: Other. 1976

Primary Beneficiaries: Residents of homes awaiting destruction or removal.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 39	\$ 41	\$ 44	\$ 46
Local taxes	\$ 34	\$ 36	\$ 38	\$ 40

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

82.29A.130(11) PUBLIC WORKS CONTRACTS

Description: Leasehold interest of public works contractors who use public property while completing public works projects for the State or the federal government is not subject to leasehold excise tax.

Purpose: To minimize the cost to government of public works construction projects.

Category/Year Enacted: Government. 1976

Primary Beneficiaries: Public works contractors and the government entities with whom they contract.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 33	\$ 35	\$ 37	\$ 39
Local taxes	\$ 29	\$ 31	\$ 32	\$ 34

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.29A.130(12) INMATE EMPLOYMENT PROGRAMS

Description: This statute provides leasehold tax exemption for firms that use space in State adult correctional facilities in conjunction with comprehensive inmate work programs.

Purpose: To promote such programs.

Category/Year Enacted: Government. 1992

Primary Beneficiaries: None currently.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. This program was found to be unconstitutional by the Washington State Supreme Court in 2004.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

82.29A.130(13) CAMPS FOR DISABLED PERSONS

Description: Nonprofit, social service organizations that provide organized and supervised recreational activities for disabled persons of all ages in a camp facility and for public recreational purposes are exempt from tax.

Purpose: To support the activities of qualifying nonprofit organizations.

Category/Year Enacted: Nonprofit - health or social welfare. 1995

Primary Beneficiaries: There are four known organizations that operate a camp for disabled persons on leased public property.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 165	\$ 173	\$ 182	\$ 192
Local taxes	\$ 144	\$ 152	\$ 160	\$ 169

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.130(14) PROFESSIONAL BASEBALL STADIUM

Description: Leasehold tax exemption is allowed for all interests in the public or entertainment areas of a professional baseball stadium located in Seattle. The facility must have natural turf, a retractable roof, seating capacity of at least 40,000, be located in King County, and have been completed after January 1, 1995 to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Safeco Field.

Category/Year Enacted: Business incentive. 1995

Primary Beneficiaries: The Seattle Mariners.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 50	\$ 51	\$ 52	\$ 53
Local taxes	\$ 43	\$ 44	\$ 45	\$ 46

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.29A.130(15) PROFESSIONAL FOOTBALL STADIUM

Description: Leasehold tax exemption is provided for all interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer which was constructed after January 1, 1998. The exemption also applies to an exhibition center and associated parking facilities adjacent to the stadium. The exemption does not extend to nonpublic areas of the stadium, such as locker rooms and private offices used exclusively by the lessee.

Purpose: To encourage construction and operation of Qwest Field & Exhibition Center.

Category/Year Enacted: Business incentive. 1997

Primary Beneficiaries: The Seattle Seahawks and soccer teams that utilize the stadium.

Possible Program Inconsistency: Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 67	\$ 68	\$ 70	\$ 72
Local taxes	\$ 59	\$ 60	\$ 61	\$ 63

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.130(16) PUBLIC FACILITIES DISTRICTS

Description: Leasehold tax does not apply to interests in property owned by public facilities districts. Facilities covered by the exemption include sports facilities, entertainment venues, conference and convention centers and special events facilities.

Purpose: To encourage construction and utilization of these public facilities.

Category/Year Enacted: Business incentive. 1999

Primary Beneficiaries: Public facility districts and persons who lease their facilities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 60	\$ 63	\$ 67	\$ 70
Local taxes	\$ 53	\$ 55	\$ 58	\$ 61

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.29A.130(17) HISTORIC PROPERTY

Description: Exemption from leasehold excise tax is provided for interests in property that is owned by a municipality or the federal government, if it is listed on a federal or state historical register and is located within a designated national historic reserve.

Purpose: To support the social benefits provided by publicly owned historical sites.

Category/Year Enacted: Government. 2005; expanded in 2007.

Primary Beneficiaries: Lessees of historical property within national historic reserves.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 36	\$ 48	\$ 57	\$ 59
Local taxes	\$ 31	\$ 42	\$ 50	\$ 51

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.130(18) CLARK COUNTY AMPHITHEATER

Description: Exemption from leasehold excise tax is allowed for interests in the public or entertainment areas of an amphitheater with seating capacity of at least 17,000 which is located in a county with a population between 350,000 and 425,000 (i.e., Clark County). The exemption does not extend to private offices used predominately by the lessee.

Purpose: To encourage construction, maintenance and operation of an amphitheater in Clark County.

Category/Year Enacted: Business incentive. 2005

Primary Beneficiaries: Lessees of the amphitheater.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009*</u>	<u>FY 2010*</u>	<u>FY 2011*</u>
State tax	\$ 41	\$ 0	\$ 0	\$ 0
Local taxes	\$ 36	\$ 0	\$ 0	\$ 0

*Note: by FY 2009 this facility will no longer qualify for the exemption, based on the county population requirements in the statute.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.29A.132 2nd NARROWS BRIDGE

Description: Leasehold interests in state route 16 corridor transportation systems and facilities, constructed and operated pursuant to Chapter 47.46 RCW, are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

Purpose: When adopted, this exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is currently contemplated.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. No lease of the facility is currently contemplated.

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82.29A.134 R.T.A. SALE/LEASEBACKS

Description: Leasehold interests in property owned by a Regional Transit Authority (R.T.A.) are exempt from leasehold tax, if they are in connection with a sale/leaseback arrangement pursuant to RCW 81.112.300.

Purpose: The sale/leaseback arrangement (technically a lease/leaseback) is a financing mechanism to facilitate the acquisition of personal property by the RTA.

Category/Year Enacted: Government. 2000

Primary Beneficiaries: Sound Transit and the investor who acquires equipment by this method.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is understood that Sound Transit has entered into one or two sale/leaseback agreements early on, but that future agreements are unlikely due to a change in policy by the Internal Revenue Service which no longer allows the investor to write-off depreciation of the equipment. In any event, it is assumed that there is no net impact on leasehold tax resulting from this exemption, since there would be no leasehold tax liability for Sound Transit if it had retained actual ownership of the personal property covered by the agreement.

82.29A.135 GASOHOL PRODUCTION FACILITIES

Description: Leasehold interests in real and personal property used primarily for manufacturing alcohol fuel, biodiesel fuel, biodiesel feedstock, and wood biomass fuel are exempt from leasehold tax. Firms may apply for the exemption if they are operational before the end of 2009. The exemption is available for six years after the facility is operational.

Purpose: To encourage the production of alcohol for use in gasohol fuel and reduce the reliance on petroleum-based fuel.

Category/Year Enacted: Business incentive. 1980; amended in 2003 to include biodiesel and wood biomass fuel and to establish the 2009 cut-off date for applications.

Primary Beneficiaries: The estimated taxpayer savings are based on a small number of proposed investments on port district property.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 28	\$ 138	\$ 145	\$ 152
Local taxes	\$ 24	\$ 121	\$ 127	\$ 134

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.136 RESIDENTIAL/RECREATIONAL DEVELOPMENTS

Description: Leasehold interests comprised of three thousand or more residential and recreational lots which are or may be subleased for residential or recreational purposes are exempt from leasehold excise tax and subject instead to property taxes.

Purpose: To treat these lots in a similar manner to other housing and recreational properties. Lessees avoid a processing fee and the properties are governed by the various limits on property tax levies.

Category/Year Enacted: Tax base. 2001

Primary Beneficiaries: Lessees of lots at Lake Cushman which are owned by the City of Tacoma.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 156	\$ 199	\$ 233	\$ 216
Local taxes	\$ (232)	\$ (194)	\$ (159)	\$ (291)

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes, but only for the leasehold tax; property taxes would decrease. Overall, the lessees are paying somewhat more tax under the property tax than they would under leasehold tax, but this is not expected to continue for the long run.

82.29A.137 FACILITIES FOR PRODUCING SUPER-EFFICIENT AIRPLANES

Description: Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption is scheduled to expire on July 1, 2024.

Purpose: To encourage siting of a facility for production of a super-efficient airplane in Washington. This exemption addresses the possibility that such a facility might be located on port property.

Category/Year Enacted: Business incentive. 2003

Primary Beneficiaries: Any manufacturer of such an airplane that locates on port district property.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) It is believed that no manufacturer has taken advantage of this exemption because facilities have not been built on port district property.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

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82.29A.138 RADIO REPEATERS

Description: Exemption from leasehold excise tax is provided for owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property. These facilities must be available to public agencies that are qualified responders for use in emergency communications.

Purpose: To encourage emergency communication equipment for amateur radio operators.

Category/Year Enacted: Individuals. 2007

Primary Beneficiaries: Amateur radio operators and amateur radio clubs.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 2	\$ 3	\$ 3	\$ 3
Local taxes	\$ 2	\$ 3	\$ 3	\$ 3

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

IN LIEU EXCISE TAXES - VEHICLE EXCISE TAXES

82.44.010(2) EXCLUDED VEHICLES

Description: The definition of motor vehicle for the state motor vehicle excise tax (repealed in 2000 but assumed to apply to local MVETs) excludes the following: (1) vehicles with exempt licenses; (2) automotive equipment not used on public streets; (3) vehicles and trailers used exclusively on private property; (4) mobile homes and travel trailers; and (5) vehicles owned by nonresident military personnel.

Purpose: This statute covers vehicles which are not intended to be subject to vehicle excise taxes, e.g., those not used on public streets and highways. The exclusion of vehicles of military personnel stationed in Washington reflects the fact that their vehicles were potentially subject to tax in their home state.

Category/Year Enacted: Tax base. 1955 (nonresident military personnel)

Primary Beneficiaries: Nonresident military personnel based in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State tax - repealed in 2000				
Local taxes*	\$ 182	\$ 182	\$ 182	\$ 182

*Impact is based on the only currently existing local MVET, the 0.3% RTA tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.44.015 RIDE-SHARING VEHICLES

Description: Exemption from motor vehicle excise tax is provided for passenger vehicles used primarily for commuter ride sharing and transportation of persons with special needs.

Purpose: To encourage commute trip reduction and thereby help to alleviate congestion on the state's highways and streets.

Category/Year Enacted: Other. 1980

Primary Beneficiaries: Firms that operate van pools for their employees

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>CY 2008</u>	<u>CY 2009</u>	<u>CY 2010</u>	<u>CY 2011</u>
State tax - repealed in 2000				
Local taxes*	\$ 63	\$ 67	\$ 72	\$ 76

*Impact is based on the only currently existing local MVET, the 0.3% RTA tax.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

82.48.100 GOVERNMENT AIRCRAFT

Description: Aircraft owned by and used exclusively in the service of governmental entities are exempt from the state aircraft excise tax. (NOTE: estimate excludes military aircraft.)

Purpose: Reflects the legislative policy of not taxing state/local government property and the constitutional prohibition against taxing the federal government.

Category/Year Enacted: Government. 1949

Primary Beneficiaries: Federal, state (including community colleges) and local governmental entities.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 9	\$ 9	\$ 9	\$ 9
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Military aircraft are not included in the estimate.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No in the case of federal aircraft; unlikely in the case of state/local aircraft.

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82.48.100 COMMERCIAL AIRCRAFT

Description: Commercial aircraft engaged in interstate or foreign commerce and aircraft used for purposes of testing or training of crews are exempt from aircraft excise tax.

Purpose: To reflect the constitutional prohibition of taxing property used in interstate commerce and to encourage the development of experimental aircraft and use of aircraft for training by aircraft manufacturers and sellers in Washington.

Category/Year Enacted: Commerce. 1949

Primary Beneficiaries: Airline companies and aircraft manufacturers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 53	\$ 53	\$ 53	\$ 53
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Commercial aircraft are not included in the estimates.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
No in the case of commercial aircraft; revenues from experimental and training planes would be minimal.

82.48.100 AIRCRAFT HELD FOR SALE

Description: Aircraft held for sale, exchange, delivery, etc. or for demonstration purposes solely as stock in trade by a licensed aircraft dealer are exempt from the aircraft excise tax.

Purpose: The exemption treats aircraft held for sale the same as business inventories which are exempt from personal property tax.

Category/Year Enacted: Other business. 1955

Primary Beneficiaries: Aircraft dealers.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 6	\$ 6	\$ 6	\$ 6
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely.

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82.48.100 NONRESIDENT AIRCRAFT

Description: Exemption from aircraft excise tax is allowed for planes owned by nonresidents, which are located at an airport that is jointly owned by governmental entities of Washington and another state.

Purpose: Provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Nonresident owners of airplanes based at the Moscow-Pullman airport.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 2	\$ 2	\$ 2	\$ 2
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Unlikely, such owners could simply relocate such planes to their home state.

82.49.020 SMALL BOATS

Description: Certain vessels are exempt from the 0.5 percent state watercraft excise tax: military or other boats owned by the federal government; state and local government vessels; boats with less than 10 horsepower motors; boats under 16 feet in length with no motor; all human-powered boats; vessels temporarily located in the state for repair; and documented vessels that are primarily engaged in interstate commerce.

Purpose: The exemption of commercial vessels is intended to avoid creating an impermissible burden on interstate commerce and to recognize the prohibition against directly taxing the federal government. The exemption of small and human-powered boats is intended to minimize administrative costs.

Category/Year Enacted: Individuals. 1983

Primary Beneficiaries: Owners of small boats.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)*</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 1,962	\$ 2,096	\$ 2,238	\$ 2,391
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

*Estimates reflect only boats under 16 feet in length and human-powered boats.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues?
Yes; however administration costs could be high for small, privately-owned watercraft.

PROPERTY TAXES

82.50.520(1-4) TRAVEL TRAILERS AND CAMPERS

Description: This statute provides that certain travel trailers and camper units are not subject to the provision of Chapter 82.50 RCW. These include: (1) unoccupied units held in inventory by a manufacturer or dealer; (2) units owned by any governmental entity; (3) units owned by nonresidents if licensed in another state; and (4) travel trailers used with a dealer's license plate. Chapter 82.50 RCW previously imposed a state tax of 1.1 percent on travel trailers and campers. However, the tax-related portions of this chapter were repealed by the Legislature in 2000 along with the motor vehicle excise tax.

Purpose: No longer relevant.

Category/Year Enacted: Individuals. 1971

Primary Beneficiaries: None.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) No impact, as the state tax has been repealed (although the statute containing these exemptions remains in the law).

IN LIEU EXCISE TAXES - TIMBER EXCISE TAX

84.33.075 NONPROFIT YOUTH ORGANIZATIONS

Description: Timber harvested on lands owned by a nonprofit, social service organization is exempt from timber tax, if the land is exempt from property tax and the income from the timber sales is used to promote, operate, and maintain youth programs. The exemption is only available if the youth programs are available to all youth, regardless of race, color, national origin, ancestry or religion.

Purpose: To reduce the cost of operating youth programs by nonprofit organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1980

Primary Beneficiaries: A few organizations have utilized the exemption; only one does so consistently. Typically, this involves the removal of damaged or dangerous trees from camp facilities.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Minimal.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

PROPERTY TAXES

84.33.077 CREDIT, PROPERTY TAX ON PUBLIC TIMBER

Description: Standing timber under contract for harvest on nonfederal public lands is subject to personal property tax and the timber excise tax. However, timber on private and federal land is only subject to the timber excise tax. This exemption allows the harvester to credit the amount of property tax paid on timber on nonfederal public lands against the timber excise tax due.

Purpose: To lessen the revenue impact on timber dependent counties. A property tax shift to non-timber property and a potential loss of revenue to taxing districts was avoided by maintaining the property tax and allowing the credit against the timber tax.

Category/Year Enacted: Other. 1983

Primary Beneficiaries: Approx. 100 regular purchasers of public timber. Also, owners of nontimber property who might otherwise experience an increase in property taxes and local governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) In 2005, the timber tax on harvest on public lands began to be distributed to counties and is being phased in over 10 years. As a result, this credit is no longer utilized.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, but this would increase property taxes for other taxpayers in counties with substantial state timber lands.

84.33.0775 CREDIT, SALMON HABITAT

Description: A tax credit is provided against the state portion of the timber excise tax for timber harvested on land that is subject to enhanced aquatic resource requirements, such as riparian zones, steep or unstable slopes, etc. The credit effectively lowers the overall 5.0 percent state tax to 4.2 percent.

Purpose: To help offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

Category/Year Enacted: Other business. 1999

Primary Beneficiaries: Timber owners (and the salmon)

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 6,663	\$ 6,393	\$ 6,393	\$ 6,393
Local taxes	\$ 0	\$ 0	\$ 0	\$ 0

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

PROPERTY TAXES

84.33.0776 CREDIT FOR QUINAULT TRIBAL TIMBER TAX

Description: The Governor is authorized to enter into a cooperative agreement with the Quinault Nation relating to a timber excise tax on timber harvested on fee lands within the boundaries of the Quinault reservation. The state and counties currently levy a combined tax of 5.0 percent on timber harvested on public and private lands. Under this agreement, the counties would continue to receive their share of the timber tax receipts; the tribe would receive the state's share.

Purpose: To enable the Quinault Nation to benefit from the timber excise tax.

Category/Year Enacted: Government. 2007

Primary Beneficiaries: The Quinault Nation.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) As of this date, no agreement has yet been finalized. It is not known when such a tribal timber tax might be imposed, resulting in the state revenues going to the tribe. There would be no change in tax liability of timber harvesters and hence no taxpayer savings.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

84.33.086 \$50 MINIMUM TIMBER TAX

Description: Any timber harvester incurring less than \$50 in timber tax liability per quarter is excused from payment of the timber excise tax.

Purpose: To support smaller harvesters and to reduce administrative costs for harvesters and the Department.

Category/Year Enacted: Other business. 1984, increased from \$10 to \$50 in 1987.

Primary Beneficiaries: Small timber harvesters, mostly harvesters of timber on private lands.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 1	\$ 1	\$ 1	\$ 1
Local taxes	\$ 5	\$ 5	\$ 5	\$ 5

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

PROPERTY TAXES

84.33.170 CHRISTMAS TREES AND COTTONWOODS

Description: Christmas trees and short-rotation hardwoods, such as cottonwoods, that are grown by agricultural methods are not subject to timber excise tax. However, when such trees are cultivated on land classified under Chapter 84.34 RCW as timber land, they are subject to timber excise tax.

Purpose: To recognize that these products are considered as being similar to agricultural products which are not subject to a tax on their harvest value.

Category/Year Enacted: Agriculture. 1971 (Christmas trees) and 1995 (short-rotation hardwoods)

Primary Beneficiaries: Approximately 420 growers of Christmas trees and 10 producers of hardwoods.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
State tax	\$ 66	\$ 66	\$ 66	\$ 66
Local taxes	\$ 264	\$ 264	\$ 264	\$ 264

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.