

Chapter 11

Leasehold Excise Tax

82.29A.020(1) - Manufacturing for government

Description The term "leasehold interest" excludes 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 Minimizes the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

- Tooling held for defense contracts is usually owned by the government, and bailed back to Boeing. When a contract ends, the tooling, being property of the government, returns to the government.
- Tooling hasn't been tracked by the Department since 1993. This year serves as a base for all future calculations. The total tooling for that year is divided by the Boeing's manufacturing. The ratio created that year is carried forward into all future years.
- FY 2018 used as a new base year and computed using a 10 year average from Fiscal Years 2008 - 2017. This shows pre-recession, recession, and recovery years and seems to be a reasonable base given the year to year fluctuations.
- Manufacturing done by Boeing is too volatile to use as a basis for future growth rates.
- Growth rate applied to FY 2018 - FY 2023 is the average actual and forecasted growth for all manufacturing from FY 2018 - FY 2023. Growth in FY 2024 and 2025 is a three year average.
- Fewer than three taxpayers so impacts are not disclosable.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- Washington State Department of Revenue 2016 Exemption Study
- Department of Revenue excise tax data

82.29A.020(1) - Manufacturing for government

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Contractors with the federal and foreign governments
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.29A.020(1)(b)(i) - Easements for removing products

Description The term "leasehold interest" excludes 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, and rights of access, occupancy, or use granted solely for the purpose of natural energy resource exploration.

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

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.316	\$0.320	\$0.322	\$0.324
Local Taxes	\$0.277	\$0.280	\$0.283	\$0.284

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.240	\$0.322	\$0.324
Local Taxes	\$0.000	\$0.210	\$0.283	\$0.284

Assumptions

- Growth in value of these easements will mirror the general forecasted growth for leasehold excise tax collections.
- Any possible single, high-value easement granted during the scope of this estimate would pull these numbers higher.
- Fewer than 50 such easements rights are granted for product removal annually.

Data Sources

- Washington State Department of Revenue tax statistics
- Washington State Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Utility companies, other businesses and individuals who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. purchased from public entities
Taxpayer Count:	Fewer than 50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.020(1)(b)(ii) - Publicly owned cargo cranes & docks

Description The term "leasehold interest" does not include the preferential use of publicly owned cargo cranes and docks and associated areas used in the loading and discharging of cargo located at a port district marine facility.

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

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$6.800	\$6.870	\$6.930	\$6.960
Local Taxes	\$5.960	\$6.030	\$6.080	\$6.110

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$5.150	\$6.930	\$6.960
Local Taxes	\$0.000	\$4.520	\$6.080	\$6.110

Assumptions

- Port of Vancouver and Port of Everett rents are 50 percent of the averages of those in Seattle and Tacoma.
- Port of Olympia rents are 30 percent of the averages of those in Seattle and Tacoma.
- Total estimated exempt value is \$100.5 million.

Data Sources

- Audit Division, Department of Revenue, 2012 Audit
- Special Programs Division, Department of Revenue
- Washington State Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2012
Primary Beneficiaries:	Private entity using publically owned cargo cranes, docks, and associated areas
Taxpayer Count:	20
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.020(2)(b) - Hanford lease 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions Fewer than three taxpayers; information is confidential.

Data Sources Department of Health

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1991
Primary Beneficiaries:	Companies providing radioactive waste cleanup at Hanford
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2013

82.29A.120(1)(a)(i) - Senior and disabled homeowners exemption OR credit for excessive leasehold tax

Description A credit is allowed against leasehold excise tax for a lease of property that would qualify for a property tax exemption under RCW 84.36.381 if the property were privately owned. The allowable credit amount is a percentage equal to the percentage reduction from the property tax exemption under RCW 84.36.381.

Purpose To provide similar exemption allowed for property tax.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	\$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

No data is available to determine if this credit is being utilized.

Data Sources

None

Additional Information

Additional Information	
Category:	Household
Year Enacted:	1986
Primary Beneficiaries:	Senior and disabled leaseholders
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2012

82.29A.120(1)(a)(ii) - Product leases credit of 33 percent

Description A credit 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.311	\$0.320	\$0.329	\$0.338
Local Taxes	\$0.273	\$0.281	\$0.288	\$0.296

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.240	\$0.329	\$0.338
Local Taxes	\$0.000	\$0.210	\$0.288	\$0.296

Assumptions Annual growth of 2.7 percent.

Data Sources

- Department of Revenue leasehold tax databases
- Special Programs, Department of Revenue

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	1976
Primary Beneficiaries:	Farmers who produce crops or graze livestock on publicly owned land
Taxpayer Count:	100
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.120(1)(b) - Leasehold interests in real property owned by state universities

Description A credit is allowed against leasehold excise tax for a property owned by a state university equal to the amount that the leasehold excise tax exceeds property tax that would apply if the property were privately owned. This credit is only available on properties valued in excess of \$10 million as of January 1 of the year prior to the year for which the credit is claimed.

Purpose To reduce the leasehold excise tax for those taxpayers where the amount of leasehold excise tax exceeds what would be owned in property taxes if the property was owned by the taxpayer.

Taxpayer savings *(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal *(\$ in millions):*

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions Fewer than three taxpayers; information is confidential.

Data Sources

- Special Programs, leasehold excise tax
- King County Assessor website

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders of university properties
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.125 - Electric vehicle infrastructure

Description Provides that leasehold interests in public lands are exempt from state and local leasehold excise taxes, if the purpose of the leasehold interest is to install, maintain, and operate electric vehicle infrastructure, hydrogen fueling stations, or renewable hydrogen production facilities. This exemption expires January 1, 2025.

Purpose To encourage installation of electric and hydrogen vehicle infrastructure.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Local Taxes	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	Indeterminate	Indeterminate	Indeterminate
Local Taxes	\$0.000	Indeterminate	Indeterminate	Indeterminate

Assumptions

- Revenue impact of this exemption is indeterminate.
- Number of charging stations located on public property is unknown.

Data Sources None

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2009
Primary Beneficiaries:	Owners of electric vehicle charging and hydrogen fueling facilities
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2017

82.29A.130(3) – Subsidized housing

Description A lease of subsidized housing owned by the U.S. government, the state, or any political subdivision is not subject to leasehold excise tax. 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$12.310	\$12.950	\$13.630	\$14.340
Local Taxes	\$10.800	\$11.360	\$11.960	\$12.580

Repeal of exemption Repealing this exemption may increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$12.790	\$13.630	\$14.340
Local Taxes	\$0.000	\$11.220	\$11.960	\$12.580

Assumptions

- Annual increase in monthly rents for this estimate period will match observed increases from 2004 to 2018.
- Number of subsidized housing units will remain the same over the estimate period.

Data Sources

- U.S. Department of Housing and Urban Development
- University of Washington Center for Real Estate Research

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public housing authorities and the individuals who reside in subsidized housing
Taxpayer Count:	12,000
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(5) – Public employee housing

Description When public employees are required by the terms of their employment to live in a publicly owned property (e.g., at state parks), the leasehold interest in that property used as the employee’s residence is not subject to leasehold excise tax.

Purpose This exemption supports legislative policy to not tax government. Also, the tax would in essence reduce employee compensation or increase government costs.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.084	\$0.086	\$0.088	\$0.090
Local Taxes	\$0.074	\$0.076	\$0.077	\$0.079

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.065	\$0.088	\$0.090
Local Taxes	\$0.000	\$0.057	\$0.077	\$0.079

Assumptions

- Estimated market rent furnished by Washington State Parks and Recreation reflects true market rents.
- Market rents grow similarly to market values.

Data Sources

- Washington State Parks and Recreation
- Economic and Revenue Forecast Council
- Property Tax Forecast Model - March 2019

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Public employees who must live in government housing
Taxpayer Count:	179
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(6-7) – Indian trust lands

Description Leasehold interest in land in Indian Country by any Tribe or tribal member is exempt from leasehold tax for property held in trust by the United States. Leases by non-tribal members are exempt when the contract rent paid is greater than or equal to 90 percent of fair market rental value.

Purpose Federal law prohibits the taxation of trust lands of enrolled tribal members.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$1.990	\$2.013	\$2.029	\$2.039
Local Taxes	\$1.746	\$1.766	\$1.780	\$1.789

Repeal of exemption State taxation of non-tribal members is not prohibited but could lead to litigation.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$1.510	\$2.029	\$2.039
Local Taxes	\$0.000	\$1.324	\$1.780	\$1.789

Assumptions

- No additional retail square footage will be added between FY 2020 and FY 2025.
- Occupancy rates will remain consistent throughout estimate period.
- Lease rates of tribal property is similar to lease rates of comparable non-tribal properties.

Data Sources

- Loopnet.com
- Washington State Economic and Revenue Forecast Council, March 2019
- Washington State Department of Revenue 2016 Exemption Study
- Washington State Tax Statistics Publication

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1976
Primary Beneficiaries:	Tribal and non-tribal members with qualifying leases of property in Indian Country
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

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.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$1.620	\$1.690	\$1.760	\$1.830
Local Taxes	\$1.420	\$1.480	\$1.540	\$1.600

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$1.260	\$1.760	\$1.830
Local Taxes	\$0.000	\$1.110	\$1.540	\$1.600

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- Base number used in 2016 exemption study is accurate.

Data Sources

- 2016 Washington State Department of Revenue Exemption Study
- Department of Revenue tax statistics publication

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Qualifying lessees
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.058	\$0.059	\$0.060	\$0.060
Local Taxes	\$0.052	\$0.052	\$0.053	\$0.053

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.045	\$0.060	\$0.060
Local Taxes	\$0.000	\$0.039	\$0.053	\$0.053

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- 11 months of collections in Fiscal Year 2021 due to July 1, 2020, effective date.
- The total estimated exempt value is \$59,600.

Data Sources Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1976
Primary Beneficiaries:	Residents of homes awaiting destruction or removal
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.130(11) - Public works contracts

Description Leasehold excise tax does not apply to leasehold interests of public works contractors who use public property while completing public works projects for the state or federal government.

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

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.050	\$0.050	\$0.051	\$0.051
Local Taxes	\$0.044	\$0.044	\$0.044	\$0.045

Repeal of exemption

Repealing this exemption may possibly increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.038	\$0.051	\$0.051
Local Taxes	\$0.000	\$0.033	\$0.044	\$0.045

Assumptions

- Future growth rate for leasehold excise tax will mirror historical growth rates.
- Total estimated exempt value is \$734,000.

Data Sources

Department of Revenue tax statistics

Additional Information

Additional Information	
Category:	Other
Year Enacted:	1998
Primary Beneficiaries:	Government and contractors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2011

82.29A.130(12) - Inmate employment programs

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

Purpose To promote inmate work programs.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

Class 1 Department of Corrections (DOC) industries were ruled unconstitutional by the Washington State Supreme Court in 2004, there is no revenue impact.

Data Sources

None

Additional Information

Additional Information	
Category:	Government
Year Enacted:	1992
Primary Beneficiaries:	None currently
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(13) - Camps for disabled persons

Description Leasehold interests of nonprofit, social service organizations used to provide organized and supervised recreational activities for disabled persons of all ages in a camp facility and for public recreational purposes are exempt from leasehold tax.

Purpose To support the activities of qualifying nonprofit organizations.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.027	\$0.027	\$0.027	\$0.028
Local Taxes	\$0.024	\$0.024	\$0.024	\$0.024

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.020	\$0.027	\$0.028
Local Taxes	\$0.000	\$0.018	\$0.024	\$0.024

Assumptions

- Growth in exemption for camps will mirror the forecast growth rate for all leasehold excise tax.
- Effective July 1, 2020, with 11 months cash collections in Fiscal Year 2021.
- Total estimated exempt value is \$398,000.

Data Sources

- Various websites for camps for disabled persons
- Department of Revenue tax statistics publication
- Economic and Revenue Forecast Council's March 2019 forecast

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1995
Primary Beneficiaries:	Organizations that operate camps for disabled person on leased public property
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2017

82.29A.130(14) - Professional baseball stadium

Description All leasehold interests in the public or entertainment areas of a professional baseball stadium located in a county with a population of over one million (e.g. Seattle) are exempt from the leasehold tax. The baseball stadium must have natural turf, a retractable roof or canopy, seating capacity of at least 40,000, and is complete 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 T-Mobile Park in King County.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

- Growth uses a 5-year average of the consumer price index.
- July 1, 2020, effective date with 11 months cash collections in Fiscal Year 2021.

Data Sources

- Census Bureau, Consumer Price Index
- ballpark.org, ballpark lease information

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1995
Primary Beneficiaries:	The Seattle Mariners
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. Many leases of sports facilities are considered a license to use the facility rather than an exclusive lease, therefore leasehold tax does not apply
JLARC Review:	JLARC completed an expedited report in 2013

82.29A.130(15) - Professional football stadium

Description A leasehold tax exemption for all leasehold interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer constructed after January 1, 1998. The exemption also applies to an exhibition center and associated work areas primarily servicing public or entertainment areas such as 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 Century Link Field & Exhibition Center.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions Fewer than three taxpayers utilize this exemption; revenue impact is not disclosed.

Data Sources

- Washington State Public Stadium Authority
- Washington State Economic and Revenue Forecast Council

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1997
Primary Beneficiaries:	Seattle Seahawks and Seattle Sounders
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	Other leases of publicly owned sports facilities are subject to leasehold tax if the lessee has exclusive use of the facility. 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.
JLARC Review:	JLARC completed an expedited report in 2014

82.29A.130(16) - Public facilities districts

Description Leasehold tax does not apply to leasehold 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.271	\$0.276	\$0.281	\$0.285
Local Taxes	\$0.238	\$0.242	\$0.246	\$0.250

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.207	\$0.281	\$0.285
Local Taxes	\$0.000	\$0.181	\$0.246	\$0.250

Assumptions

- Growth in building rent for the preceding 4 years has mirrored the overall growth rate in Leasehold excise tax collections.
- Future growth in building rent will mirror the forecasted growth rate over the length of this estimate.
- No new facilities will utilize this exemption for the length of this estimate.
- July 1, 2020, effective date with 11 months cash collections in Fiscal Year 2021.
- Total estimated exempt value is \$4.03 million.

Data Sources

- Washington State Economic and Revenue Forecast Council, March 2019
- JLARC 2015 Review

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1999
Primary Beneficiaries:	Public facility districts and persons who lease these facilities
Taxpayer Count:	24
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2015

82.29A.130(17) - Historic property

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

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

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

- Rental growth will mirror growth of Consumer Price Index over the last five years.
- Fewer than three taxpayers; unable to disclose information.

Data Sources

- National Parks Service
- The Historic Trust
- Census Bureau, Consumer Price Index

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2005
Primary Beneficiaries:	Lessees of historical property within national historic reserves
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.29A.130(18) - Clark County amphitheater

Description Exemption from leasehold excise tax is allowed for leasehold interests in the public or entertainment areas of a privately constructed, operated and maintained amphitheater, where both the public owner and the private lessee regularly sponsor events, with a seating capacity of at least 17,000 and is located in a county with a population over 350,000 and less than 425,000 at the time it opened. 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

- Lease is based on \$2 per ticket with a minimum payment.
- To date ticket sales have not reach the minimum, so numbers provided are per minimum in the lease agreement.

Data Sources Clark County

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2005
Primary Beneficiaries:	Lessees of the Clark County amphitheater
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2016

82.29A.130(19) - Military housing

Description Certain military housing units and ancillary supporting facilities are exempt from property tax and leasehold excise tax. The housing must be located on land owned in fee by the federal government, be used for housing military personnel and their families, and be provided by a development project under the federal Military Housing Privatization Initiative of 1996.

Purpose To support military housing.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.403	\$0.408	\$0.411	\$0.413
Local Taxes	\$0.354	\$0.358	\$0.361	\$0.363

Repeal of exemption

Repealing this exemption may possibly increase revenues. The Department would have to bill individual renters for the leasehold tax. This could be difficult in the changing military environment.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.306	\$0.411	\$0.413
Local Taxes	\$0.000	\$0.268	\$0.361	\$0.363

Assumptions

- Military housing growth will mirrors the statewide leasehold excise tax growth over the study period.
- Total estimated exempt value is \$5.97 million.

Data Sources

- Office of the Secretary of Defense
- Economic and Revenue Forecast Council's March 2019 forecast
- 2018 Fall Apartment Market Report

Additional Information

Additional Information	
Category:	Other
Year Enacted:	2008
Primary Beneficiaries:	Companies that own military housing on federal land and their renters
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.130(20) - Leasehold interest in facilities owned or used by community or technical colleges

Description Leasehold interests in facilities owned or used by a community college or technical college to provide food services, operate a bookstore or provide maintenance, operational, or administrative services are exempt from leasehold excise tax.

Purpose To provide leasehold excise tax relief to private lessees who lease facilities from community or technical colleges (lessors) for certain purposes, and to relieve the lessors from the obligation to collect and remit such taxes from the lessees.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption Repealing this exemption would result in a minimal increase in revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

- Fewer than three taxpayers.
- Revenue impact is indeterminate but minimal.

Data Sources Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2017
Primary Beneficiaries:	Leaseholders at community colleges
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.130(21) – Tacoma Dome public area

Description This exemption is for all leasehold interests in the public or entertainment areas of any arena from leasehold excise tax, if the arena:

- Has a seating capacity of more than 2,000;
- Is located on city owned land; and
- Is owned by a city with a population over 200,000 within a county with a population of less than 1,500,000.

Purpose To promote public entertainment facilities and to bring the Tacoma Dome in line with other public stadiums and arenas.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption A full repeal of this exemption would result in a revenue increase.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions Tax exemption applies only to the Tacoma Dome.

Data Sources Department of Revenue leasehold excise tax data

Additional Information

Additional Information	
Category:	Government
Year Enacted:	2019
Primary Beneficiaries:	Tacoma Dome
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.132 - 2nd Narrows bridge

Description There is a leasehold tax exemption for all leasehold interests in the state route number 16 corridor transportation systems and facilities constructed and operated under chapter 47.46. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

Purpose 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 contemplated.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would not increase revenues. No public property is being leased at this time.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

No lease of the facility is currently contemplated.

Data Sources

Not applicable

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1998
Primary Beneficiaries:	None
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2014

82.29A.134 - Regional Transit Authority sales and leasebacks

Description Leasehold interests in property owned by a Regional Transit Authority (RTA) are exempt from leasehold excise 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 a RTA.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would not increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions Regional Transit Authority is not using the Sale and Leaseback arrangement due to changes in Internal Revenue Service policy.

Data Sources Regional Transit Authority

Additional Information

Additional Information	
Category:	Leasehold Excise Tax
Year Enacted:	2000
Primary Beneficiaries:	Sound Transit and investors
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.29A.135 - Anaerobic digesters

Description Leasehold interests in buildings, machinery, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational. Firms may apply for the exemption if they are operational before the end of 2024.

Purpose To encourage the production of renewable natural gas in Washington State by stimulating investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Period for taking applications for this exemption expired December 31, 2012.
- In 2018, legislation passed for this exemption with an effective date of July 1, 2018, and an expiration date of December 31, 2024.
- Any exemption issued prior to the end of 2012 are now expired and no applications have been submitted since the passage of new legislation.
- Currently, there are no known taxpayers taking this exemption and therefore a repeal of this exemption would not increase state or local revenue.

Data Sources

Department of Revenue, Special Programs Division

82.29A.135 - Anaerobic digesters

Additional Information

Additional Information	
Category:	Agriculture
Year Enacted:	2018
Primary Beneficiaries:	Leaseholder of qualifying anaerobic digesters
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC

82.29A.136 - Residential and 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.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	D	D	D	D
Local Taxes	D	D	D	D

Repeal of exemption

Repealing this exemption would increase revenues for the leasehold tax. Property taxes would decrease.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	D	D	D
Local Taxes	\$0.000	D	D	D

Assumptions

Fewer than three taxpayers.

Data Sources

- Mason County Assessor Office
- City of Tacoma
- Census Bureau, Consumer Price Index
- Economic and Revenue Forecast Council's March 2019 forecasts
- Department of Revenue state property tax model

Additional Information

Additional Information	
Category:	Tax Base
Year Enacted:	2001
Primary Beneficiaries:	Lessees of lots at Lake Cushman which are owned by the City of Tacoma
Taxpayer Count:	Fewer than three taxpayers
Program Inconsistency:	None evident
JLARC Review:	JLARC completed an expedited report in 2015

82.29A.137 - Super-efficient airplane production facilities

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 expires July 1, 2040.

A person reporting under this tax rate must file a complete annual tax performance report with the department.

Purpose Encourages the production of super-efficient airplanes in Washington.

Taxpayer savings

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

If anyone did take this exemption its repeal would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.000	\$0.000	\$0.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- There are no known manufacturers of super-efficient airplanes located on port property and none are expected through Fiscal Year 2023.
- July 1, 2020, effective date.

Data Sources

Department of Revenue

Additional Information

Additional Information	
Category:	Business
Year Enacted:	2003
Primary Beneficiaries:	There are no known beneficiaries
Taxpayer Count:	0
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2019

82.29A.138 - Amateur radio repeaters

Description Owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property are exempt from leasehold excise tax. 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.

Taxpayer savings (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.011	\$0.012	\$0.013	\$0.014
Local Taxes	\$0.009	\$0.010	\$0.011	\$0.012

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

	FY 2020	FY 2021	FY 2022	FY 2023
State Taxes	\$0.000	\$0.009	\$0.013	\$0.014
Local Taxes	\$0.000	\$0.008	\$0.011	\$0.012

Assumptions

- Future growth will be similar to past growth.
- If exemption was repealed leasehold excise tax would be due on the total value of the lease.
- Total estimated exempt value is \$140,000.

Data Sources Department of Natural Resources

Additional Information

Additional Information	
Category:	Individuals
Year Enacted:	2007
Primary Beneficiaries:	Amateur radio operators and amateur radio clubs
Taxpayer Count:	32
Program Inconsistency:	None evident
JLARC Review:	Not reviewed by JLARC