
HOUSE BILL 1864

State of Washington

65th Legislature

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By Representatives Springer and Stokesbary

1 AN ACT Relating to a leasehold excise tax credit for properties
2 of market value in excess of ten million dollars and for certain
3 major international airport leases; amending RCW 82.29A.120; creating
4 a new section; and providing an expiration date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the tax preference provided in section 2 of
8 this act. The performance statement is only intended to be used for
9 subsequent evaluation of the tax preference. It is not intended to
10 create a private right of action by any party or be used to determine
11 eligibility for preferential tax treatment.

12 (2) The legislature categorizes this tax preference as one
13 intended to reduce structural inefficiencies in the state tax
14 structure, as indicated in RCW 82.32.808(2)(d).

15 (3) It is the legislature's specific public policy objective to
16 reduce the leasehold excise tax for certain taxpayers where the
17 amount of leasehold excise tax exceeds what would be owed in property
18 taxes if the property was owned by the taxpayer.

19 (4) To measure the effectiveness of the tax preference provided
20 in section 2 of this act in achieving the specific public policy
21 objective described in subsection (3) of this section, the joint

1 legislative audit and review committee must determine the amount of
2 leasehold excise tax paid by taxpayers claiming the credit under
3 section 2 of this act in comparison to the amount of leasehold excise
4 taxes or property taxes paid by a sample of taxpayers occupying
5 property geographically proximate to taxpayers claiming the credit
6 under section 2 of this act. The amount of leasehold excise tax or
7 property tax must be expressed in dollars per thousand dollars of
8 assessed value and any other way the joint legislative audit and
9 review committee deems necessary to clearly convey the data.

10 (5)(a) The information provided by taxpayers to the department of
11 revenue and publicly available property tax data is intended to
12 provide the informational basis for the evaluation under subsection
13 (4) of this section.

14 (b) In addition to the data source described under (a) of this
15 subsection, the joint legislative audit and review committee may use
16 any other data it deems necessary in performing the evaluation under
17 subsection (4) of this section.

18 (6) The amount of credit reported by a taxpayer to the department
19 is not confidential tax information under RCW 82.32.330 and is
20 subject to disclosure.

21 **Sec. 2.** RCW 82.29A.120 and 2013 c 235 s 3 are each amended to
22 read as follows:

23 After computation of the taxes imposed pursuant to RCW 82.29A.030
24 and 82.29A.040, the following credits are allowed in determining the
25 tax payable:

26 (1) For lessees and sublessees who would qualify for a property
27 tax exemption under RCW 84.36.381 if the property were privately
28 owned, the tax otherwise due after this credit shall be reduced by a
29 percentage equal to the percentage reduction in property tax that
30 would result from the property tax exemption under RCW 84.36.381; and

31 (2) A credit of thirty-three percent of the tax otherwise due is
32 allowed with respect to a product lease.

33 (3)(a) For a leasehold interest in real property owned by a state
34 university or a major international airport, a credit is allowed
35 equal to the amount that the tax under this chapter exceeds the
36 property tax that would apply if the real property were privately
37 owned by the taxpayer.

38 (b) The credit under this subsection (3) is available only if the
39 tax parcel that is subject to the leasehold interest:

1 (i) Has a market value in excess of ten million dollars. If the
2 leasehold interest attaches to two or more parcels, the credit is
3 available if at least one of the tax parcels has a market value in
4 excess of ten million dollars. In either case, the market value must
5 be determined as of January 1st of the year prior to the year for
6 which the credit is claimed; or

7 (ii) Is subject to a lease that is between a major international
8 airport and the governing body of the major international airport,
9 except for those leases between federal aviation administration-
10 approved entities and the governing body of a major international
11 airport.

12 (c) For purposes of calculating the credit under this subsection
13 (3):

14 (i) If a tax parcel does not have current assessed value in
15 accordance with RCW 84.40.020, a market value appraisal performed by
16 a Washington state-certified general real estate appraiser, as
17 defined in RCW 18.140.010, is sufficient to establish the market
18 value. If the underlying real property that is the subject of the
19 leasehold interest consists of a part of one or more tax parcels,
20 this appraisal must include the market value of the part of the
21 parcel or parcels to which the leasehold interest applies; and

22 (ii) The property tax that would otherwise apply to the real
23 property that is the subject of the leasehold interest is calculated
24 using the existing consolidated levy rate for the property's tax code
25 area.

26 (d) The definitions in this subsection apply throughout this
27 subsection (3) unless the context clearly requires otherwise.

28 (i) "Major international airport" means an airport that is:

29 (A) Owned by a port district in a county with a population of one
30 million five thousand or greater; or

31 (B) Owned jointly by a city and a county in a county with a
32 population of four hundred thousand or greater.

33 (ii) "Market value" means the true and fair value of the property
34 as that term is used in RCW 84.40.030, based on the property's
35 highest and best use and determined by any reasonable means approved
36 by the department.

37 (iii) "Real property" has the same meaning as in RCW 84.04.090
38 and also includes all improvements upon the land the fee of which is
39 still vested in the public owner.

1 (iv) "State university" has the same meaning as "state
2 universities" as provided in RCW 28B.10.016.

3 (e) The credit provided under this subsection (3) may not be
4 claimed for tax reporting periods beginning on or after July 1, 2022.

5 NEW SECTION. **Sec. 3.** This act expires July 1, 2022.

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