

Multiple Agency Fiscal Note Summary

Bill Number: 1287 P S HB	Title: Indian tribes/property tax
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Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	601,000	601,000	4,536,000	4,536,000	4,659,000	4,659,000
Total \$	601,000	601,000	4,536,000	4,536,000	4,659,000	4,659,000

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.8	226,600	226,600	.4	87,000	87,000	.0	0	0
Department of Revenue	.1	13,600	13,600	.0	0	0	.0	0	0
Total	0.9	\$240,200	\$240,200	0.4	\$87,000	\$87,000	0.0	\$0	\$0

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Revised 3/10/2014
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 37870

Individual State Agency Fiscal Note

Bill Number: 1287 P S HB	Title: Indian tribes/property tax	Agency: 014-Joint Leg. Audit & Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	1.6	0.8	0.4	0.0
Account					
General Fund-State 001-1	0	226,600	226,600	87,000	0
Total \$	0	226,600	226,600	87,000	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sean Flynn	Phone: 360-786-7124	Date: 01/17/2014
Agency Preparation: John Woolley	Phone: 360 786-5184	Date: 01/20/2014
Agency Approval: Keenan Konopaski	Phone: 360-786-5187	Date: 01/20/2014
OFM Review: Shane Hamlin	Phone: (360) 902-0547	Date: 01/20/2014

Request # -1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sec 1. Amends 82.29A.010 (purpose of Leasehold Excise Tax, LET) to note that leasehold interests in property tax-exempt land owned exclusively by tribes should be subject to LET.

Sec 2. Amends 82.29A.020(1)c (LET definitions) to define “publicly owned real or personal property” to include real or personal property owned by a Indian tribe in WA and exempt from property tax under 84.36.010.

Sec. 3. Amends 84.36.010(2)(b) (property tax exemptions for public, certain public-private and tribal) to add economic development to the definition of “essential government services”. Adds a new section (c) defining “economic development” to mean commercial activities including those that facilitate creating or retaining businesses or jobs or that improve the standard of living or economic health of tribal communities.

Sec. 4. Amends 84.36.451 (property tax exemption – right to occupy or use certain public property) to add to the list of occupations/uses exempt from property tax use by a federally recognized tribe for property exempt under 84.36.010 (economic development uses in sec. 3).

Sec. 5. Amends 84.40.230 (property tax, listing of property, contract to purchase public land) to add sales of real property on contract by any federal recognized tribe to be treated in the same manner as real property sold on contract by the federal, state or county or city government where the vendee is entitled to possession, use, etc., and is deemed to retain title merely as security for fulfillment of the contract. In such cases the property must be assessed/taxed the same as similar property in private ownership.

Sec. 6. Adds new section to 82.29A RCW providing:

Property owned by tribe that’s exempt from prop tax is subject to payment in lieu of LET if:

- The tax exempt property is used exclusively for economic development
- There’s no taxable leasehold interest in the property
- The property is located outside the tribe’s reservation; and
- The property isn’t otherwise exempt from tax under federal law

DOR must determine the amount of payment in lieu of LET based on fair market rental value.

Sets requirements for DOR to follow in collecting payment in lieu of LET and specifies that the section does not apply to deep water port property.

Sec. 7. Adds new section to Chapter 52.30 RCW (Fire protection districts) to note when exempt tribal property is within boundary of fire protection district , the district may contract with the tribe for compensation for services.

Sec. 8. New section requiring JLARC to conduct an economic impact analysis of the changes made by the bill by 12/01/2019, in compliance with RCW 43.01.036 (electronic submission of reports) Study must provide an economic impact report to the Legislature evaluating the impacts of changes made by the bill regarding LET and property tax treatment of tribally-owned property. The report must indicate:

- The number of parcels and uses of land involved;
- The economic impacts to tribal governments

- State and local government revenue reductions, increase, shifts from all tax sources affected;
- Impacts on public infrastructure and public services;
- Impacts on business investment and business competition
- Description of the business activities affected;
- Impacts on the number of jobs created or lost;
- Any other data JLARC deems necessary to determine the economic impact of the act.

Sec. 10. The bill takes effect 9/1/2014.

Sec. 11. Sections expire 7/1/2021.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The bill requires a complex econometric analysis. JLARC staff's approach to this analysis would include three phases, with separate reports provided to the Legislature for each phase.

THIS FISCAL NOTE REFLECTS THE COSTS ASSOCIATED WITH PHASES ONE AND TWO ONLY, AS THE WORK REQUIRED TO COMPLETE PHASE THREE WOULD FALL OUTSIDE OF THE PERIOD INCLUDED IN THE FISCAL NOTE. THE DESCRIPTION BELOW DOES HOWEVER PROVIDE AN ESTIMATE FOR EACH PHASE.

PHASE ONE: Entails contracting with econometric consultants to determine how to isolate the impact of the bill's changes from other changes in the economy that might also impact indicators specified in the bill, such as economic development, tax collections, public infrastructure, and business investment and competition. JLARC staff will provide an interim report to the Legislature on the appropriate methodology in December 2014. (Estimate cost for Phase One: \$154,000: FY 15)

PHASE TWO: Based on the methodology established in Phase One, JLARC staff will work with state/local governments and tribes to establish data collection mechanisms to collect the data necessary to conduct the analysis. Because there will likely be several state, local, and tribal agencies to coordinate with, we assume this will require 11 months of staff time to establish data collection plans. JLARC staff will provide an interim report to the Legislature In December 2015 on the status of data collection. (Estimate cost for Phase Two: \$159,500. Split between fiscal years: FY15: \$72,500, FY16: \$87,000)

PHASE THREE: Based on the methodology established in Phase One, and using the data collection mechanisms created in Phase Two, JLARC will conduct the analysis and issue a report in December 2019. In conducting the analysis, JLARC will again contract with econometric consultants to assist in the analysis. (Estimated cost for Phase 3: \$328,000, FY20)

JLARC estimates its costs to be divided between a) JLARC staff costs, and b) the costs associated with engaging external experts to assist JLARC staff in completing its assignment.

a) JLARC estimates its costs based on audit months (approximately \$14,500 per audit month). JLARC estimates it will take 18 audit months to complete the assignment required by this bill.

b) Consultant Costs: JLARC anticipates engaging consultant(s) to contract with econometric consultants. We estimate consultant costs of \$52,500.

JLARC assumes comparable consultant efforts and costs made available for previous studies, and estimated costs reflect JLARC's recent experience in contracting with external entities for similar work.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. DURING THE LEGISLATIVE SESSION, JLARC WILL CONTINUALLY ASSESS ALL MANDATED ASSIGNMENTS AND SUBSEQUENTLY MAY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS.

HOWEVER, ADDITIONAL RESOURCES TO COVER CONSULTANT COSTS OF \$150,000 WOULD NEED TO BE PROVIDED.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		1.6	0.8	0.4	
A-Salaries and Wages		114,100	114,100	57,000	
B-Employee Benefits		36,200	36,200	18,100	
C-Professional Service Contracts		52,500	52,500		
E-Goods and Other Services		21,500	21,500	10,800	
G-Travel		2,300	2,300	1,100	
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$226,600	\$226,600	\$87,000	\$0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Research Analyst	82,008		1.0	0.5	0.3	
Support staff	57,240		0.6	0.3	0.2	
Total FTE's	139,248		1.6	0.8	0.4	0.0

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 1287 P S HB	Title: Indian tribes/property tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 59 - Leasehold Excise Tax		48,000	48,000	394,000	415,000
GF-STATE-State 01 - Taxes 70 - Other Taxes		553,000	553,000	4,142,000	4,244,000
Total \$		601,000	601,000	4,536,000	4,659,000

Estimated Expenditures from:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.1	0.1		
GF-STATE-State 001-1		13,600	13,600		
Total \$		13,600	13,600		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Sean Flynn	Phone: 360-786-7124	Date: 01/17/2014
Agency Preparation: Thomas Christensen	Phone: 360-534-1507	Date: 02/19/2014
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/19/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/19/2014

Request # 1287-3-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects a revision to the revenue impacts, and supersedes fiscal note number 1287-2.

This bill affects the application of property tax and leasehold excise tax with respect to property belonging exclusively to federally-recognized Indian tribes.

Currently, all property belonging exclusively to any federally recognized Indian tribe is exempt from property tax if that property is used for essential government services. Essential government services means services such as tribal administration, public facilities, fire, police, public health, education, sewer, water, transportation, and utility services.

This bill extends the definition of essential government services to include economic development services. Economic development is defined as commercial activities that facilitate the creation or retention of businesses or jobs, or that improve the standard of living or economic health of tribal communities.

If a leasehold interest in public property is granted to persons that would otherwise be subject to property tax, the lessees are subject to the state and local leasehold excise taxes. Generally, the leasehold excise tax is levied against the contract rent. This bill extends leasehold excise tax to leasehold interests in property owned exclusively by federally recognized Indian tribes and defines "publicly owned real or personal property" to include real and personal property owned exclusively by a federally recognized Indian tribe within Washington State.

Exempt tribal property outside the tribe's reservation that is used exclusively for economic development where no taxable leasehold interest exists and the property is not otherwise exempt becomes subject to payment in lieu of leasehold excise tax. The Department of Revenue (Department) is responsible for determining the amount of payment based on fair market rent and will not exceed the leasehold tax amount that would otherwise be owed. The Department is responsible for collection and apportionment of payments in lieu of tax. Apportionment of payments will be modeled after leasehold excise taxes.

Fire protection districts and regional fire protection service authorities that contain exempt tribal property are authorized to contract with the tribe for an agreed amount of compensation for providing fire protection services.

The Joint Legislative Audit and Review Committee must provide an economic impact report to the Legislature evaluating the impacts of this legislation by December 1, 2019.

Invalid provisions do not affect the remainder of this act.

This act takes effect September 1, 2014 and expires on July 1, 2021.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

Economic development excludes residential and undeveloped land.

Payments in lieu of tax will be collected quarterly, similar to leasehold excise tax.

DATA SOURCES

Tribally owned property data from county assessors via the Washington Association of County Officials.
Economic and Revenue Forecast Council November 2013 forecast

REVENUE ESTIMATES

State leasehold excise tax revenues and payments in lieu of taxes will increase by \$601,000 in Fiscal Year 2015 and \$2.28 million for Fiscal Year 2016. Three months of collections are reflected in Fiscal Year 2015.

The state property tax levy is predicted to remain below the \$3.60 limit. Therefore, there will be no loss to the state school levy.

PROPERTY TAX SHIFTS

This legislation will result in a state levy shift to other taxpayers of an estimated \$425,000 for Fiscal Year 2015 and \$800,000 in Fiscal Year 2016, the first full fiscal year.

TOTAL REVENUE IMPACT:

Leasehold excise tax and payments in lieu of taxes:

State Government (cash basis, \$000):

FY 2014 -	\$ 0
FY 2015 -	\$ 601
FY 2016 -	\$ 2,279
FY 2017 -	\$ 2,257
FY 2018 -	\$ 2,295
FY 2019 -	\$ 2,364

Local Government, if applicable (cash basis, \$000):

FY 2014 -	\$ 0
FY 2015 -	\$ 555
FY 2016 -	\$ 1,998
FY 2017 -	\$ 1,978
FY 2018 -	\$ 2,011
FY 2019 -	\$ 2,071

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

Exemption:

State Government, Impact on Revenues (\$000): None

State Government, (\$000), Shift of Tax Burden

CY 2014 -	\$ 0
CY 2015 -	\$ 815

CY 2016 - \$ 786
 CY 2017 - \$ 783
 CY 2018 - \$ 798
 CY 2019 - \$ 813

Local Government, Impact on Revenues (\$000)

CY 2014 - \$ 0
 CY 2015 - (\$ 572)
 CY 2016 - (\$ 555)
 CY 2017 - (\$ 550)
 CY 2018 - (\$ 563)
 CY 2019 - (\$ 576)

Local Government, (\$000), Shift of Tax Burden

CY 2014 - \$ 0
 CY 2015 - \$ 2,940
 CY 2016 - \$ 2,893
 CY 2017 - \$ 2,909
 CY 2018 - \$ 3,008
 CY 2019 - \$ 3,111

Net impact:

State Government (cash basis, \$000):

FY 2014 - \$ 0
 FY 2015 - \$ 601
 FY 2016 - \$ 2,279
 FY 2017 - \$ 2,257
 FY 2018 - \$ 2,295
 FY 2019 - \$ 2,364

Local Government, if applicable (cash basis, \$000):

FY 2014 - \$ 0
 FY 2015 - \$ 257
 FY 2016 - \$ 1,435
 FY 2017 - \$ 1,426
 FY 2018 - \$ 1,454
 FY 2019 - \$ 1,501

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

FIRST YEAR COSTS:

The Department will incur total costs of \$13,600 in Fiscal Year 2015. These costs include:

- Labor Costs - Time and effort equates to 0.13 FTEs.
- Amend two administrative rules.

There will be no ongoing costs associated with this bill.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		8,400	8,400		
B-Employee Benefits		2,500	2,500		
E-Goods and Other Services		1,900	1,900		
J-Capital Outlays		800	800		
Total \$		\$13,600	\$13,600		

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
HEARINGS SCHEDULER	32,688		0.0	0.0		
TAX POLICY SP 2	61,628		0.0	0.0		
TAX POLICY SP 3	69,756		0.1	0.0		
WMS BAND 3	88,546		0.0	0.0		
Total FTE's	252,618		0.1	0.1		

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the standard to amend WAC 458-16-1000, titled: "Property belonging to federally recognized tribes" and the expedited process to amend WAC 458-29A-400, titled: "Leasehold excise tax-Exemptions". Persons affected by this rule-making would include all federally recognized Indian tribes.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1287 P S HB	Title: Indian tribes/property tax
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Indeterminate, but likely significant (greater than \$1 million annually) revenue impact
- Counties: Indeterminate, but likely significant (greater than \$1 million annually) revenue impact and indeterminate expenditure impact to county assessors
- Special Districts: Indeterminate, but likely significant (greater than \$1 million annually) revenue impact
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: Number of parcels and amount for which fire protection services would be contracted

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Darleen Muhly	Phone: (360) 725-5030	Date: 03/07/2014
Leg. Committee Contact: Sean Flynn	Phone: 360-786-7124	Date: 01/17/2014
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/07/2014
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 03/07/2014

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would exempt from property tax property belonging exclusively to federally-recognized Indian tribes located within Washington state when the property is used for economic development services. Economic development is defined as commercial activities that facilitate the creation or retention of businesses or jobs, or that improve the standard of living or economic health of tribal communities.

This bill would also extend leasehold excise tax to leasehold interests in property owned exclusively by federally recognized Indian tribes and defines "publicly owned real or personal property" to include real and personal property owned exclusively by a federally recognized Indian tribe within Washington state.

The bill also provides that exempt tribal property outside the tribe's reservation used exclusively for economic development where no taxable leasehold interest exists and the property is not otherwise exempt becomes subject to payment in lieu of leasehold excise tax (PILT). The Department of Revenue (DOR) is required to determine the amount of PILT based on fair market rental value not to exceed the leasehold tax amount that would otherwise be owed. DOR is also required to collect and apportion these payments in the same proportion as leasehold excise tax.

This bill would also authorize fire protection districts and regional fire protection service authorities that contain exempt tribal property to contract with the tribe for an agreed amount of compensation for providing fire protection services.

The bill would require the Joint Legislative Audit and Review Committee to provide an economic impact report to the Legislature evaluating the impacts of this bill by December 1, 2019.

The act would take effect September 1, 2014 and expire July 1, 2021.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

The bill would have indeterminate impact on local government expenditures. County assessor offices would be required to change the tax status of impacted parcels in the tax records. Although the number of parcels impacted is unknown, this is likely to impact the majority if not all counties in the state. It is not known how many individual parcels would require action by the counties or how long it would take to modify records for each parcel, therefore expenditure impacts are indeterminate.

It is assumed that the Department of Revenue would administer and collect the leasehold excise tax on tribal land and payment in lieu of taxes. Therefore, there would be no ongoing leasehold excise tax administration and payment in lieu of tax administration impacts to county assessors.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

The total revenue impacts of this bill are indeterminate but, according to the DOR fiscal note, the bill would result in a net local government tax revenue increase of more than \$1.4 million annually. Revenue impacts relating to contracts with fire protection districts and regional fire protection service authorities are indeterminate.

This bill affects the application of property tax with respect to property belonging exclusively to federally-recognized Indian tribes. Currently, all property belonging exclusively to any federally-recognized Indian tribe is exempt from property tax if it is used for essential government services. This bill adds economic development services to this exemption. According to the Washington Association of County Assessors (WSACA), the number of parcels impacted statewide is indeterminate as some parcels are listed as owned by tribes, some as being owned by an LLC, and some as being in trust status. It is also not clear if the exemption applies to any federally-recognized tribe in Washington state or any federally-recognized tribe with impacted parcels in Washington state. However, according to the DOR fiscal note, assuming that economic development excludes residential and undeveloped land, and that the exemption applies to tribes within Washington state and that this exemption only applies to parcels easily identified as such by county assessors, this provision would reduce local government revenue by more than \$550,000 annually.

This bill extends leasehold excise tax to leasehold interests in property owned exclusively by federally recognized Indian tribes and defines "publicly owned real or personal property" to include real and personal property owned exclusively by a federally recognized Indian tribe within Washington state. The bill also provides that exempt tribal property outside the tribe's reservation that is used exclusively for economic development where no taxable leasehold interest exists and the property is not otherwise exempt becomes subject to payment in lieu of leasehold excise tax. According to the Yakima County Assessor's Office, there is no guarantee that leasehold excise tax can be assessed until a recent lawsuit, which deals with whether leasehold excise tax can be collected on improvements to Indian Trust Land, reaches final determination. Although the district court initially ruled for Thurston County in this case, that decision was reversed by the Ninth Circuit Court of Appeals. However, assuming that leasehold excise tax can be assessed, according to the Department of Revenue fiscal note, this bill would result in leasehold excise tax and payment in lieu of tax increases of 1.9 million or more annually for local governments. These increases would offset the revenue losses above and result in a net revenue increase of more than \$1.4 million for local governments statewide.

Fire protection districts and regional fire protection service authorities that contain exempt tribal property are authorized to contract with the tribe for an agreed amount of compensation for providing fire protection services. However, the number of parcel and amount for which these services would be contracted is unknown. Therefore, the revenue impact of this provision is indeterminate.

SOURCES:

Department of Revenue fiscal note

Washington State Association of County Assessors

Yakima County Assessor's Office