

# Special Notice

*Intended audience: Federally recognized Indian Tribes, county assessors, counties and cities.*

**June 11, 2020**

## Legislative changes to property owned by federally recognized Indian Tribes and used for economic development

The 2020 Legislature passed [House Bill 2230](#), making changes to the property tax exemption for real and personal property owned and used for economic development by a federally recognized Indian Tribe. HB 2230 makes revisions to [RCW 84.36.010](#) effective June 11, 2020.

### Acquisition date

Under the old law, property used for economic development had to be owned by a tribe prior to March 1, 2014, to be eligible for a property tax exemption.

Under the new law, effective June 11, 2020, the March 1, 2014, acquisition date has been eliminated. Property used for economic development and owned by a tribe is now eligible for a property tax exemption, regardless of when the property was acquired.

### Expiration date

Under the old law, the property tax exemption for property used for economic development and owned by a tribe expires on Jan. 1, 2022.

Under the new law, effective June 11, 2020, the exemption for economic development property no longer has an expiration date.

### Payment in Lieu of Tax (PILT)

The new law did not change the requirement for a payment in lieu of tax (PILT), when applicable. However, it did add a provision for a city to participate in negotiations with the county and tribe.

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Exempt tribal property may be subject to a PILT, if all of the following apply:

- It is used exclusively for economic development.
- Has no taxable leasehold interest in the property.
- Is located outside of the tribe's reservation.
- Is not otherwise tax exempt under federal law.

The county and city where the property is located, along with the tribe, must jointly determine the PILT amount through good faith negotiation. The PILT amount may not exceed the local portion of the leasehold excise tax that would apply if there were a leasehold interest in the property. The department may determine the PILT amount if the tribe, county and city cannot agree on the terms. The tribe must pay the PILT directly to the county and the county must distribute payment solely to the local taxing districts, including cities, in the same proportion that each district would have shared, if a leasehold excise tax had been levied.

## Leasehold excise tax (LET)

The new law did not change the leasehold excise tax (LET) requirement for property. LET is a tax on the use of public property (government owned) by a private entity; this tax is in lieu of the property tax. Parcels owned by a Indian tribe, but occupied by a non-tribal entity remain eligible for a property tax exemption. Upon exemption, the parcel's occupant (tribe's tenant) may be subject to LET. The Department of Revenue will contact the tribe's tenant to determine their responsibility to pay LET.

## Application and annual renewal requirement

To qualify for the property tax exemption, a tribe must file an initial application with the department by October 1 of the year prior to when taxes are due. An annual renewal is also required by October 1 to continue the exemption for existing exempt property used for economic development.

## Definitions

The following definitions remain unchanged under HB 2230:

- **Essential government services** means services such as tribal administration, public facilities, fire, police, public health, education, sewer, water, environment and land use, transportation, utility services, and economic development.
- **Economic development** means commercial activities, including those that facilitate the creation or retention of businesses or jobs, or that improve the standard of living or economic health of tribal communities.

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## More Information

Exemption requirements: [RCW 84.36.010](#), [RCW 84.36.012](#).

## Questions?

If you have questions or need additional information, please contact Linda Smith, Property Tax Division at 360-534-1416 or [lindasm@dor.wa.gov](mailto:lindasm@dor.wa.gov).