

Tribal Lands Used for Economic Development

2020 JLARC TAX PREFERENCE REVIEW

Estimated 2019 beneficiary savings: \$748,000

Property Tax

Tribally owned land used for economic development is exempt from property tax

The 2014 Legislature passed this preference to create jobs and improve the economic health of tribal communities.

Tribal governments in Washington manage two types of land: **trust land** held in trust by the U.S. government and not subject to state and local property taxes; and **fee land** that may be subject to property taxation.

The preference exempts federally recognized Indian tribes in Washington from owing property tax on **fee land that is used for economic development**. To qualify, tribes had to acquire the land prior to March 1, 2014. Trust land is already exempt under federal law.



This preference was amended in 2020, with a new policy objective, qualifications, and no expiration date.

JLARC staff's **review focuses on the original 2014 tax exemption** that was in effect through June 2020.

At the end of 2019, 3 tribes used the exemption for 6 properties

- 3 tribes used the exemption for a total of 10 properties between 2015-2019.
- 6 of these properties still qualified at the end of 2019. 3 others are now held in trust and not subject to taxation and 1 was sold and did not meet the requirements.
- At least **2 of the 6 qualifying properties**, Emerald Downs and Marine View Ventures, **are currently under review for trust status**.

Tribe	County	Property	Assessment value for 2019 property taxes
Muckleshoot Indian Tribe	King	Emerald Downs	\$57,469,000
Puyallup Tribe of Indians	Pierce	Marine View Ventures	\$2,161,000
Suquamish Indian Tribe	Kitsap	Kiana Lodge	\$582,000
Suquamish Indian Tribe	Kitsap	Beach House	\$780,000
Suquamish Indian Tribe	Kitsap	Saltair House	\$554,000
Suquamish Indian Tribe	Kitsap	Raven's Nest	\$337,000
All properties			\$61,883,000

Tribal businesses on exempt properties provide economic benefits, but tax preference likely had limited impact

- Local governments **do not routinely track impacts associated with the exempt properties**.
- JLARC staff estimate a **net gain of 14 jobs from tax savings** associated with the Emerald Downs property tax exemption. This property accounts for 93% of the total assessed value of **exempt properties** in 2019.

Property tax savings were mostly shifted onto other taxpayers while some levies lost money

JLARC staff estimated approximately 88% of the taxpayer savings were shifted on to other taxpayers and 12% was lost revenue in 2019.

- Other taxpayers paid higher levy rates.
- The Muckleshoot Indian Tribe paid King County \$423,000 in lieu of property taxes.

LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue the preference as amended in 2020

The preference is considered to be part of a broader tax exemption for essential government services. The initial public policy objective from the 2014 legislation is now superseded by the new 2020 objective to treat tribal and nontribal governments the same for property tax purposes.

The Citizen Commission for the Performance Measurement of Tax Preferences should consider whether the preference is critical to the tax structure. If so, it will be excluded from future tax preference reviews.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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