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SENATE BILL 5072

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State of Washington

60th Legislature

2007 Regular Session

By Senators Honeyford and Schoesler

Read first time 01/10/2007. Referred to Committee on Government Operations & Elections.

1 AN ACT Relating to the exemption of fraternal organizations from  
2 property taxation; amending RCW 84.36.840; reenacting and amending RCW  
3 84.36.805; adding a new section to chapter 84.36 RCW; and creating a  
4 new section.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.36 RCW  
7 to read as follows:

8 (1) All personal property owned or leased by a qualifying fraternal  
9 organization is exempt from taxation. If the personal property for  
10 which exemption is sought is leased, the benefit of the exemption must  
11 inure to the qualifying fraternal organization.

12 (2) For the purposes of this section, the following definitions  
13 apply:

14 (a) "Qualifying fraternal organization," except as provided in (b)  
15 of this subsection, means a nonprofit:

16 (i) Fraternal beneficiary society, order, or association exempt  
17 from federal income tax under section 501(c)(8) of the internal revenue  
18 code; or

1 (ii) Domestic fraternal society, order, or association exempt from  
2 federal income tax under section 501(c)(10) of the internal revenue  
3 code.

4 (b) "Qualifying fraternal organization" does not include a  
5 separately organized insurance branch of a fraternal beneficiary  
6 society, order, or association when the insurance branch:

7 (i) Does not itself operate under the lodge system but operates  
8 exclusively for the benefit of the members of a fraternal beneficiary  
9 society, order, or association that does operate under the lodge  
10 system; and

11 (ii) Provides for the payment of life, sick, accident, or other  
12 benefits to the members of the fraternal beneficiary society, order, or  
13 association operating under the lodge system.

14 **Sec. 2.** RCW 84.36.805 and 2006 c 319 s 1 and 2006 c 226 s 3 are  
15 each reenacted and amended to read as follows:

16 (1) In order to qualify for an exemption under this chapter, the  
17 nonprofit organizations, associations, or corporations must satisfy the  
18 conditions in this section.

19 (2)(a) The property must be used exclusively for the actual  
20 operation of the activity for which exemption is granted, unless  
21 otherwise provided, and does not exceed an amount reasonably necessary  
22 for that purpose, except:

23 ~~((+a+))~~ (i) The loan or rental of the property does not subject the  
24 property to tax if:

25 ~~((+i+))~~ (A) The rents and donations received for the use of the  
26 portion of the property are reasonable and do not exceed the  
27 maintenance and operation expenses attributable to the portion of the  
28 property loaned or rented; and

29 ~~((+ii+))~~ (B) Except for the exemptions under RCW 84.36.030(4),  
30 84.36.037, 84.36.050, and 84.36.060(1) (a) and (b), the property would  
31 be exempt from tax if owned by the organization to which it is loaned  
32 or rented;

33 ~~((+b+))~~ (ii) The use of the property for fund-raising activities  
34 does not subject the property to tax if the fund-raising activities are  
35 consistent with the purposes for which the exemption is granted.

36 (b) This subsection does not apply to any personal property exempt  
37 under section 1 of this act.

1 (3) The facilities and services must be available to all regardless  
2 of race, color, national origin or ancestry.

3 (4) The organization, association, or corporation must be duly  
4 licensed or certified where such licensing or certification is required  
5 by law or regulation.

6 (5) Property sold to organizations, associations, or corporations  
7 with an option to be repurchased by the seller shall not qualify for  
8 exempt status. This subsection does not apply to property sold to a  
9 nonprofit entity, as defined in RCW 84.36.560(7), by:

10 (a) A nonprofit as defined in RCW 84.36.800 that is exempt from  
11 income tax under section 501(c) of the federal internal revenue code;

12 (b) A governmental entity established under RCW 35.21.660,  
13 35.21.670, or 35.21.730;

14 (c) A housing authority created under RCW 35.82.030;

15 (d) A housing authority meeting the definition in RCW  
16 35.82.210(2)(a); or

17 (e) A housing authority established under RCW 35.82.300.

18 (6) The department shall have access to its books in order to  
19 determine whether the nonprofit organization, association, or  
20 corporation is exempt from taxes under this chapter.

21 (7) This section does not apply to exemptions granted under RCW  
22 84.36.020, 84.36.032, 84.36.250, and 84.36.260.

23 **Sec. 3.** RCW 84.36.840 and 1973 2nd ex.s. c 40 s 14 are each  
24 amended to read as follows:

25 In order to determine whether organizations, associations,  
26 corporations or institutions except those exempted under RCW 84.36.020  
27 (~~and~~), 84.36.030, and section 1 of this act, are exempt from taxes  
28 within the intent of this chapter, and before the exemption shall be  
29 allowed for any year, the superintendent or manager or other proper  
30 officer of the organization, association, corporation or institution  
31 claiming exemption from taxation shall file, with the department of  
32 revenue on forms (~~furnished by the director~~) prescribed by the  
33 department of revenue, a signed statement made under oath that the  
34 income and the receipts thereof, including donations to it, have been  
35 applied to the actual expenses of operating and maintaining it, or for  
36 its capital expenditures, and to no other purpose. (~~Such~~) The forms  
37 shall also include a statement of the receipts and disbursements of

1 said organization(~~(: PROVIDED, That)~~). However, institutions claiming  
2 exemption under RCW 84.36.050 shall also file (~~(in addition)~~) a list of  
3 all property claimed to be exempt, the purpose for which it is used,  
4 the revenue derived from it for the preceding year, the use to which  
5 such revenue was applied, the number of students in attendance at the  
6 school or college, the total revenues of the institution with the  
7 source from which they were derived, and the purposes to which such  
8 revenues were applied, giving the items of such revenues and  
9 expenditures in detail.

10 (~~Such report~~) This signed statement shall be submitted on or  
11 before April 1st following the close of the accounting period for the  
12 fiscal year ended during the previous calendar year. The department of  
13 revenue shall remove the tax exemption from the property and assets of  
14 any organization, association, corporation, or institution (~~which~~)  
15 that does not file (~~such report~~) this statement with the department  
16 of revenue on or before the due date(~~(: PROVIDED, That)~~). The  
17 department of revenue shall allow a reasonable extension of time for  
18 filing upon written request filed on or before the required filing date  
19 and for good cause shown therein.

20 NEW SECTION. Sec. 4. This act applies to taxes levied for  
21 collection in 2008 and thereafter.

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