

HOUSE BILL REPORT

SHB 1304

As Passed House:

February 23, 2009

Title: An act relating to the property taxation of organizations operated exclusively for art, scientific, or historical purposes or engaged in the production and performance of musical, dance, artistic, dramatic, or literary works.

Brief Description: Providing a limited property tax exemption for the use of facilities by artistic, scientific, and historical organizations.

Sponsors: House Committee on Finance (originally sponsored by Representatives Springer, Orcutt, Takko, Eddy and Herrera).

Brief History:

Committee Activity:

Finance: 1/30/09, 2/5/09 [DPS].

Floor Activity

Passed House: 2/23/09, 92-0.

Brief Summary of Substitute Bill

- Increases the number of days that nonprofit art, scientific and historical collections, and performing arts organizations may rent their tax exempt property to nonexempt users from 25 days to 50 days a year.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Santos and Springer.

Staff: Rick Peterson (786-7150)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

All property in this state is subject to property tax each year based on the property's value unless a specific exemption is provided by law.

Several property tax exemptions exist for non-profit organizations. Facilities of the following organizations are eligible for property tax exemptions: character building, benevolent, protective or rehabilitative social service organizations; churches and church camps, youth character building organizations, war veterans organizations, national and international relief organizations, federal guaranteed student loan organizations, blood, bone, and tissue banks; public assembly halls, medical research or training facilities, art, scientific, and historical collections; sheltered workshops, fair associations, humane societies, water distribution property, schools and colleges, radio/television rebroadcast facilities, fire company property, daycare centers, free public libraries, orphanages, nursing homes, hospitals, outpatient dialysis facilities, homes for the aging, day care centers, performing arts properties, homeless shelters, and blood banks.

Property tax exempt property must be used exclusively for the actual operation of the activity for which the exemption was granted. Generally the property may be loaned or rented if: (a) the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses; and (b) the organization renting the property would be exempt from tax if it owned the property.

Exemptions for renting the property to nonexempt organizations is provided for public assembly halls (use for pecuniary gain limited to 15 days a year); war veterans organizations (use for pecuniary gain limited to 15 days a year), character building, benevolent, protective, or rehabilitative social service organizations (all non-exempt users limited to 15 days for organizations located in counties with population less than 20,000); schools and colleges (use for pecuniary gain limited to seven days a year), scientific and historical collections, as well as performing arts properties (all non-exempt users limited to 25 days of which seven can be for pecuniary gain).

To qualify for the exception, scientific and historical collections, as well as performing arts properties must be rented for: artistic, scientific, or historic purposes; the production and performance of musical, dance, artistic, dramatic, or literary works; community gatherings or assembly, or meetings.

Summary of Substitute Bill:

Nonprofit associations that maintain and exhibit historical, scientific, or artistic collections, as well as performing arts associations may retain their property tax exemption when they allow another organization that does not qualify for the property tax exemption to use or rent their exempt property. The number of days that property may be used for these purposes is increased from 25 to 50 days per year. The number of days the property may be used for profit-making business activities is increased from seven days to 15 days. The time used for setup and takedown activities preceding or following a meeting or other event does not count against the 15 and 50 day limitations. Rental charges are no longer limited to an amount that does not exceed the maintenance and operation expenses created by the user.

Appropriation: None.

Fiscal Note: Available

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The current law is too restrictive and much needed revenue is being lost by these organizations. There are more people wanting to use these facilities than the organization is allowed to rent out to without triggering the need to pay property tax. Also, other organizations that can only use these types of facilities are being harmed. This bill will give these organizations an opportunity to raise money, and will allow them to better serve their communities, which will help spur economic development.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; Roberta Emerick, North Clark Historical Museum; Mary Langholz, Washington State Arts Alliance; Josh Labelle, Seattle Theatre Group; and John Haynes, Performing Arts Center Eastside.

Persons Signed In To Testify But Not Testifying: None.