HOUSE BILL REPORT
SHB 2402

As Amended by the Senate

Title: An act relating to a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Brief Description: Concerning a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Sponsors: House Committee on Finance (originally sponsored by Representatives White, Rolfes, Armstrong, Haler, Nelson, Roberts, Maxwell, Dickerson, Crouse, Jacks, Walsh, Wallace, Sells, Ormsby, Kenney, Williams, Blake, Chase, Morris, Campbell, Appleton, Carlyle, Conway, Bailey, Hope and Haigh).

Brief History:
  Committee Activity:
    Finance: 1/15/10, 2/9/10 [DPS].
  Floor Activity:
    Passed House: 2/12/10, 97-0.
    Senate Amended.
    Passed Senate: 3/3/10, 46-1.

Brief Summary of Substitute Bill

- Exempts from property tax the real and personal property owned by a nonprofit entity that is used for the purpose of a farmers market.

- Limits the use of the property for this purpose to 53 days each year.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Susan Howson (786-7142).

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

Nonprofit public assembly halls or meeting places are exempt from property taxes. To qualify for the exemption the property must be used for public gatherings and be available to all organizations or persons desiring to use the property.

Generally, the property cannot be rented out for a business purpose (pecuniary gain) except for no more than 15 days each year. The collection of rent, donations, or income received from the use of the property for pecuniary gain must be used for capital improvements of the exempt property, maintenance and operations, or exempt purposes. The tax exempt status of the property is not affected by use of the property for fundraising activities conducted by a nonprofit organization.

Current law defines "qualifying farmers market" for the purpose of the sale of wine manufactured in Washington and sold at farmers markets.

Summary of Substitute Bill:

The real and personal property of nonprofit organizations that is used for the purpose of a farmers market is exempt from property tax.

Use of the property for pecuniary gain or business activities related to a farmers market is limited to 53 days per year. All income received from rental or use of the property must be used for capital improvements to the exempt property, maintenance and operations, or exempt purposes.

A "qualifying farmers market" is the same as defined in current law for domestic wine sales at farmers markets. A qualifying farmers market is an entity that sponsors a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural products grown or produced in Washington directly to the consumer. Several minimum requirements must be met including: (1) at least five participating vendors are farmers selling their own agricultural products; (2) the total combined gross annual sales of vendors who are farmers must exceed the total combined gross annual sales of vendors who are processors or resellers; (3) the total combined gross annual sales of vendors who are farmers, processors, or resellers must exceed the total combined gross annual sales of vendors who are not farmers, processors, or resellers; (4) the sale of imported items and secondhand items by any vendor is prohibited; and (5) no vendor is a franchisee.

The bill applies to taxes levied for collection in 2011 through 2020. The property tax exemption expires December 31, 2020.

EFFECT OF SENATE AMENDMENT(S):

Language from SHB 2439 is added, providing that church property loaned or rented to a nonprofit organization for use by a qualifying farmers market is exempt from property taxation. Rental income must be reasonable and devoted solely to operation and maintenance of the property. This exemption mirrors the exemption in the underlying bill by: (1)

referencing the same farmers market definition; and (2) providing that market activities may not occur more than 53 days each assessment year. Provisions are retained in the underlying bill specifying that the act: (1) applies to taxes levied for collection in 2011 through 2020; and (2) expires December 31, 2020.

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) This bill has a small fiscal impact to the state, but makes a huge difference to local organizations. Washington has a rich history of agriculture and farmers bringing their goods directly to consumers. Currently, there are over 100 farmers markets across Washington. If these organizations are required to pay property tax, it would have a devastating effect on local farmers markets. These farmers markets do not run all year long, but are taxed on a full-years basis. Farmers markets provide local economic stimulus, and they support the well being of our communities and farmers.

(Opposed) None.

Persons Testifying: Representative White, prime sponsor; Dorothy Lengyel, University Heights Community Center; Brent Olsen, Olsen Farms; Chris Curtis, Neighborhood Farmers Market Alliance; Jeff Herman, Spokane Farmers Market; Craig Goodwin, Millwood Presbyterian Church; Steve Hallstrom, Let US Farm LLC; Patrice Barrentine, Department of Agriculture; Jackie Altchison, Washington State Farmers Market Association; and Wade Bennett.

Persons Signed In To Testify But Not Testifying: None.