

HOUSE BILL REPORT

HB 1042

As Reported by House Committee On: Ways & Means

Title: An act relating to providing a property tax exemption for property held under lease, sublease, or lease-purchase by a nonprofit organization that provides job training, placement, or preemployment services.

Brief Description: Providing a property tax exemption for property held under lease, sublease, or lease-purchase by a nonprofit organization that provides job training, placement, or preemployment services.

Sponsors: Representatives Seaquist, Walsh, Kirby, Appleton, Miloscia, Blake and Goodman.

Brief History:

Committee Activity:

Ways & Means: 2/1/11, 2/24/11 [DPS].

Brief Summary of Substitute Bill

- Exempts certain leased property used by nonprofit organizations providing job training, placement, or preemployment services from property tax.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 2 members: Representatives Hudgins and Springer.

Staff: Jeff Olsen (786-7175).

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.

Property taxes apply to the assessed value of all taxable property unless specifically exempted. Several property tax exemptions exist for property owned by qualifying non-profit organizations including churches, youth character building organizations, benevolent and charitable organizations, veteran's organizations, and thrift stores that sell only donated merchandise. In addition to property that is owned, in certain cases property that is used by a qualifying non-profit organization also qualifies for a property tax exemption. For example, property used by nonprofit homes for the aging, nonprofit child care centers, and nonprofit cancer clinics is exempt under certain circumstances.

To receive a property tax exemption, a qualifying organization must file an application with the Department of Revenue (Department) by March 31. The Department reviews applications and forwards a list of exempt property to each county assessor by August 31.

Summary of Substitute Bill:

Property leased by a nonprofit organization and primarily used for providing job training, placement, or preemployment services is eligible for a property tax exemption. The property must be leased by a nonprofit organization or a nonprofit organization's sublessee. The nonprofit organization must also be exempt from federal income taxation under 26 U.S.C. Sec. 501(c)(3) of the federal Internal Revenue Code. Also, the lease, sublease, or lease purchase agreement must expressly require the organization or association which is lessee or sublessee to pay any property taxes for the leased or subleased property.

Substitute Bill Compared to Original Bill:

The substitute bill makes technical changes to the implementation of the property tax exemption, including making the application process and timing of the exemption consistent with other nonprofit property tax exemptions. The effective date is repealed and the exemptions will apply for taxes levied for collection in 2012 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Goodwill has been squeezed by these tough economic times. The mission of Goodwill includes providing job training, especially for the low-income community and at-risk community. Currently, stores that are owned are exempt from property tax. However, not all locations are owned, and this bill would allow additional funding to go towards jobs. Nonprofit job service organizations assist those living on the margin in society. By

exempting facilities that are leased, more clients can be helped, which will save the state money.

(Opposed) None.

Persons Testifying: Representative Seaquist, prime sponsor; Phil Watkins and Michael Jurich, Goodwill Industries; Pam Brokaw, Partners in Careers; and Karen Lee and Tracey Groscost, Pioneer Human Services.

Persons Signed In To Testify But Not Testifying: None.