

# HOUSE BILL REPORT

## HB 2345

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### As Reported by House Committee On: Finance

**Title:** An act relating to providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status.

**Brief Description:** Providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status.

**Sponsors:** Representatives Carlyle, Nealey and Vick; by request of Department of Revenue.

#### **Brief History:**

##### **Committee Activity:**

Finance: 1/21/14, 2/4/14 [DP].

#### **Brief Summary of Bill**

- Increases consistency of guidelines for the nonexempt use of tax-exempt property of nonprofit organizations.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 13 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Hansen, Lytton, Pollet, Reykdal, Springer, Vick and Wilcox.

**Staff:** Richelle Geiger (786-7175).

#### **Background:**

All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. Several property tax exemptions exist for property owned by churches, and a variety of other nonprofit organizations, including schools, camps, veteran organizations, blood and tissues banks, public assembly halls, ecological education, and conservation organizations. On a limited basis, nonexempt activity is allowed on tax exempt property of nonprofit organizations. The nonexempt activities

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permitted and conditions under which these nonexempt activities are allowed vary among nonprofit organizations.

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**Summary of Bill:**

Standardized criteria are established regarding the nonexempt use of tax-exempt property owned by nonprofit organizations.

In order to qualify for the tax exemption, nonprofit organizations must satisfy the following conditions: (1) rent and donations received from the use of the property is reasonable and does not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; (2) fundraising events are permitted if they are consistent with the purpose of the exempt organization; (3) exempt property may be used for nonexempt purposes for no more than 50 days within a calendar year; and (4) exempt property may be used for pecuniary gain or to promote business activities for no more than 15 days in a calendar year. Activities related to farmers' markets on exempt church property may occur no more than 53 days within each assessment year.

If these conditions are violated, the exemption is removed for the affected portion of property for that assessment year.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 3 and 8 relating to real or personal property owned by a nonprofit organization, which take effect December 31, 2020.

**Staff Summary of Public Testimony:**

(In support) The Department of Revenue requested this legislation to bring greater consistency and equity to the regulation of the nonexempt use of tax-exempt property owned by nonprofit organizations.

Many programs held by nonprofit organizations have historical ties to the community and financially sustain the organization's operations.

(Opposed) None.

**Persons Testifying:** Drew Shirk, Department of Revenue; and Tom Parker, Washington Catholic Conference.

**Persons Signed In To Testify But Not Testifying:** None.