
Finance Committee

E2SSB 5078

Brief Description: Modifying the property tax exemption for nonprofit fairs.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Ericksen, Smith, Hatfield, Baumgartner, Chase and Shin).

Brief Summary of Engrossed Second Substitute Bill

- Exempts the real and personal property of a nonprofit fair association that is eligible to receive support from the fair fund from taxation.
- Excludes large nonprofit fairs with property valued at more than \$15 million from the property tax exemption.

Hearing Date: 3/25/13

Staff: Jeff Olsen (786-7175).

Background:

Property Taxes and Exemptions.

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Real and personal property of a nonprofit fair association that sponsors or conducts a county fair and receives support from the Horse Racing Commission is exempt from property tax. The property must be used exclusively for fair purposes, unless certain conditions are met. Loan or rental of the property to other property tax exempt organizations or to fair concessionaires does not nullify the exemption if the rental income is reasonable and is used for maintenance of the property. There are general conditions for obtaining exemptions by nonprofit organizations including the use of the property, the loan or rental of the property, fundraising activities, the availability of the facilities and services, and licensing requirements.

Agricultural Fairs.

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.

Agricultural fairs are divided into four categories. Area fairs are organized to serve an area larger than one county. County and district fairs are organized to serve single counties and are under the direct control of county commissioners. Community fairs are organized primarily to serve a smaller area than an area or county fair. Youth shows and fairs serve three or more counties, educate and train rural youth, and are approved by Washington State University or the Office of the Superintendent of Public Instruction. These fairs may receive allocations from the Fair Fund. The Fair Fund, managed by the Department of Agriculture (WSDA), receives money from the State General Fund, and may receive funds from the Horse Racing Commission. According to the WSDA, 68 fairs participate in the program.

Counties have the authority to designate a nonprofit corporation as the exclusive agency to operate and manage fairs and to provide a revolving fund to be used by fair officials for the conduct of the fair.

Fair Fund.

The Fair Fund was created in 1941 to provide allocations to fairs for the purpose of encouraging agricultural fairs and training rural youth. The source of revenue for the Fair Fund for many years was a portion of the state revenue from the parimutuel tax on horse racing. To provide relief to the horse racing industry, the parimutuel tax rate was reduced in 1998. Legislation adopted in 2001 provided for a \$2 million per year transfer from the General Fund to the Fair Fund. The transfer was temporarily reduced to \$1.75 million per year in the 2011-13 biennium.

Summary of Bill:

Except for nonprofit fair associations having property valued at more than \$15 million, the real and personal property of a nonprofit fair association that is eligible to receive support from the fair fund is exempt from taxation.

Appropriation: None.

Fiscal Note: Available.

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