
HOUSE BILL 2447

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Kirby, Kretz, Sawyer, Ormsby, Riccelli, Short, Ryu, Magendanz, and Freeman

Read first time 01/17/14. Referred to Committee on Finance.

1 AN ACT Relating to a property tax exemption for qualified nonprofit
2 small business incubators that assist in the creation and expansion of
3 innovative small commercial enterprises; adding a new section to
4 chapter 84.36 RCW; creating new sections; and providing an expiration
5 date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that nonprofit
8 organizations and associations engaged in the education and training of
9 people, located in economically disadvantaged areas, who are involved
10 in the creation and expansion of businesses with marketable products
11 and services provide many public benefits to the people of the state of
12 Washington. The legislature further finds that facilitating emerging
13 businesses in their expansion creates jobs for the state. The
14 legislature further finds that facilities owned by nonprofit
15 organizations are not afforded the same tax treatment as facilities
16 owned by public entities creating an unfair playing field for the
17 nonprofit organizations. Therefore, the legislature finds that it is
18 in the best interest of the state to provide a limited property tax

1 exemption for the use of these facilities by certain organizations in
2 order to be self-sustaining for their exempt purposes.

3 (2) It is the specific public policy object of the legislature to
4 provide a property tax exemption to nonprofit small business incubators
5 that promote economic growth and jobs for Washington. The legislature
6 categorizes this tax preference as one intended to provide tax relief
7 for nonprofit small business incubators and to create jobs, as
8 described in RCW 82.32.808(2) (c) and (e).

9 (3) In order to obtain the necessary data to perform a review of
10 this tax preference, the department of commerce must provide to the
11 joint legislative audit and review committee the annual reports
12 submitted by qualified small business incubators receiving the property
13 tax exemption provided in this act. In addition, the committee must
14 review the tax exemption and its actual fiscal impact on state revenues
15 to determine if the fiscal impact to state revenues reasonably conforms
16 to the fiscal estimate in the fiscal note for this legislation.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
18 to read as follows:

19 (1) The real and personal property owned or used by a nonprofit
20 organization is exempt from property taxes levied for any state purpose
21 if the property is:

22 (a) Located in an economically distressed area; and

23 (b) Used to provide shared use of equipment and work areas and
24 daily technical resources and daily management support services that
25 enable small start-up and emerging businesses to become successful.

26 (2) The organization or association must meet all of the additional
27 following conditions:

28 (a) The organization is organized and conducted for nonsectarian
29 purposes;

30 (b) The organization is qualified for exemption under 26 U.S.C.
31 Sec. 501(c)(3) of the federal internal revenue code;

32 (c) The organization is governed by a volunteer board of directors
33 of at least five members;

34 (d) The organization charges fair market rent to the businesses
35 that use that organization's work areas; and

36 (e) Is certified by the department of commerce as a "qualified

1 small business incubator" under chapter 43.176 RCW that meets the
2 requirements of this act.

3 (3) Any qualified nonprofit small business incubator organization
4 claiming the exemption under subsection (2) of this section must report
5 to the department of commerce:

6 (a) The number of businesses served by the nonprofit;

7 (b) The estimated number of jobs created by the businesses served,
8 in the year in which they were served;

9 (c) Specific details for the businesses served, including but not
10 limited to, the name of the business, the unified business identifier
11 of the business and the type of business served identified by the North
12 American industry classification system; and

13 (d) Qualified small business incubators failing to report to the
14 department of commerce are ineligible for the exemption under
15 subsection (2) of this section. The department of commerce must
16 compile the information provided by all qualified small business
17 incubators and provide the joint legislative audit and review committee
18 with the detailed data on an annual basis.

19 (4) The department may revoke a small business incubator's property
20 tax exemption under this section upon clear and convincing evidence
21 that the qualified small business incubator is not complying with the
22 requirements of this section.

23 (5) The definitions in this subsection apply throughout this
24 section unless the context clearly requires otherwise.

25 (a) "Economically distressed area" means a rural county as defined
26 in RCW 82.14.370, a county with a community empowerment zone under RCW
27 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

28 (b) "Emerging business" means a business that is:

29 (i) Engaged in activities related to the development of initial
30 product or service offerings, such as prototype development or
31 establishment of initial production or services processes;

32 (ii) Less than five years old and during the previous fiscal year
33 had gross revenues of no more than two million dollars; or

34 (iii) In a growth mode, expanding its operation or its market.

35 (c) "Start-up business" means a formal business venture that:

36 (i) Is involved in activities related to the development of initial
37 product or service offerings, such as prototype development or
38 establishment of initial production or services processes;

1 (ii) Is less than three years old and during the previous fiscal
2 year had gross revenues of no more than two million dollars; and
3 (iii) Has fewer than twenty employees.

4 NEW SECTION. **Sec. 3.** This act applies to taxes levied for
5 collection in 2015 and thereafter.

6 NEW SECTION. **Sec. 4.** This act expires January 1, 2023.

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