

SENATE BILL REPORT

SHB 1967

As of February 21, 2022

Title: An act relating to property tax exemptions for nonprofits.

Brief Description: Concerning property tax exemptions for nonprofits.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Steele, Riccelli, Berry, Lekanoff, Santos and Duerr).

Brief History: Passed House: 2/12/22, 98-0.

Committee Activity: Business, Financial Services & Trade: 2/22/22.

Brief Summary of Bill

- Allows public meeting halls and churches that are property tax exempt to host qualifying farmers markets for up to 53 days per year without losing property tax exemption.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: Property Tax Exemptions for Nonprofits. All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Nonprofit organizations, though exempt from federal taxes, are not generally exempt from property taxes in Washington. Typically, organizations must exclusively use their property to conduct an activity specifically exempted by the Legislature to qualify. Schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, performing arts facilities, and public meeting halls are examples of organizations that may receive a property tax exemption.

Use of Certain Tax-exempt Properties for Nonexempt Activities. *Churches.* Churches'

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personal property and grounds, not exceeding five acres, are exempt from property tax. The exemption is maintained if rental income or donations are reasonable and do not exceed the maintenance and operation expenses attributable to the property being rented or loaned for a qualifying activity. Qualifying activities include those associated with a school or nonprofit organization's charitable activity.

The property may be shared, and the property tax exemption maintained, for nonexempt activities for up to 50 days a year. Within those 50 days, 15 may be used for commercial or business activities. Nonexempt activities include Chamber of Commerce meetings, social events hosted by a fraternal organization, or a for-profit organization conducting an employee seminar. Commercial or business activities may include music lessons or festivals and fairs hosted by the church where individuals sell goods and services, as examples.

Nonprofit Organizations With a Public Assembly Hall. Real and personal property owned by a nonprofit organization, association, or corporation in connection with the operation of a public assembly hall or meeting place is exempt from taxation. Real and personal property must not exceed one acre except for property under 29 acres with only restroom facilities and structures that is primarily used for community celebration events. To maintain this exemption, the property must be used exclusively for public gatherings and be available to all desiring to use it.

Use by Farmers Markets. For property taxes levied for collection from 2011 through 2020, a provision existed to allow churches and public assembly halls to host farmers markets up to 53 days a year without losing a property tax exemption. That provision expired on December 31, 2020.

Qualifying Farmers Markets. Qualifying farmers markets are entities that sponsor a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural goods grown or produced in this state directly to the consumer. These markets must meet certain criteria, such as a minimum number of vendors, a certain total of annual combined gross sales of farmers to gross sales of processors or resellers depending on the combined gross sales of the market, and not sell imported and secondhand items or host franchisees.

Tax Preferences. Legislation that creates or expands a tax preference, such as a tax exemption, deduction, or preferential rate, must include a tax performance statement that identifies the public policy objective of the tax preference, as well as certain metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. A new tax reference automatically expires after ten years unless an alternative expiration date is provided or the tax preference is exempt through the legislation.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Striking Amendment): The loan or rental of church property to a nonprofit organization, association, corporation, or school conducting a charitable activity is extended to qualifying farmers markets. Activities related to a farmers market may not occur on the tax-exempt property for more than 53 days each assessment year.

A qualifying farmer's market may use a nonprofit's public assembly hall or meeting place property or a church property up to 53 days each assessment year and remain property tax exempt if the rental income or donations do not exceed the maintenance and operation expenses attributable to the property's use.

This act applies both retroactively and prospectively to taxes levied for collection in 2021 and thereafter.

These expanded exemptions are not subject to the automatic ten-year expiration date or JLARC review.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.