

FINAL BILL REPORT

SB 5505

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Synopsis as Enacted

Brief Description: Reinstating a property tax exemption for property owned by certain nonprofit organizations where a portion of the property is used for the purpose of a farmers market.

Sponsors: Senators Rolfes, Warnick, Hasegawa, Lovelett, Lovick, Mullet, Pedersen, Van De Wege, Wagoner and Wilson, C..

Senate Committee on Agriculture, Water, Natural Resources & Parks
Senate Committee on Ways & Means
House Committee on Finance

Background: Property Tax Exemption for Churches. Churches may be eligible for a property tax exemption if they conduct certain activities and are wholly used for church purposes. The exemption applies to real and personal property owned by the church and used exclusively for religious worship and related church purposes. A maximum of five acres of real property is eligible for exemption. This maximum acreage may include a parsonage, convent, caretaker's residence, and parking. Unoccupied land or undeveloped land included within the five acres shall not exceed one-third of an acre.

If the property, or a portion of the property, is rented or loaned to an organization other than another nonprofit or school, for their use exclusively, it may jeopardize the exemption. For example, if an office in the building is rented out to a business, a portion of the property may no longer be eligible for exemption and that portion of the property will be taxed. Churches may share their property for nonexempt activities up to 50 days per calendar year; however, only 15 of those 50 days, may be used for commercial or business activities.

Property Tax Exemption for Public Assembly Halls or Meeting Places. Real or personal property owned by a nonprofit organization, association, or corporation in connection with the operation of a public assembly hall or meeting place is also eligible for a property tax exemption. The area exempted includes the building or buildings, the land under the buildings, and an additional area necessary for parking, but not exceeding a total of one

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acre. The property must be used exclusively for public gatherings and must be available to all organizations or persons desiring to use the property

Similar to the property tax exemption for churches, the use of the property for nonexempt purposes may nullify the exemption. The exemption is not nullified by the use of the property for nonexempt purposes if the nonexempt activity does not exceed 50 days per calendar year, and the property is not used for commercial or business activities for more than 15 of the 50 days in each calendar year.

Qualifying Farmers Markets. For taxes levied for collection in 2011 through 2020, a nonprofit organization operating a church or public assembly hall could loan or rent a portion of its property to a qualifying farmers market for up to 53 days each year without jeopardizing its property tax exemption. Income generated from the rental or use by a qualifying farmers market had to be used for capital improvements, maintenance and operation of the property, or other exempt purposes. The exemption for qualifying farmers markets expired after 2020.

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

Summary: A church or nonprofit organization operating a public assembly hall or meeting place may retain its exemption from property taxation if the property is used by a qualifying farmers market for not more than 53 days each assessment year. Income from rental or use by a qualifying farmers market must be used for capital improvements, maintenance and operation, or exempt purposes of the church or nonprofit organization.

Qualifying farmers market means an entity that sponsors a regular assembly of vendors at a defined location for promoting the sale of agricultural products grown or produced in this state directly to the consumer under conditions that meet the following minimum requirements:

- there are at least five participating vendors who are farmers selling their own agricultural products;
- the total combined gross annual sales of vendors who are farmers exceeds the total combined gross annual sales of vendors who are processors or resellers; if a farmers market does not satisfy this requirement, a farmers market is still considered a qualifying farmers market if the total combined gross annual sales of farmers and processors at the farmers market is one million dollars or more;
- the total combined gross annual sales of vendors who are farmers, processors, or resellers exceeds the total combined gross annual sales of vendors who are not

- farmers, processors, or resellers;
- the sale of imported items and secondhand items by any vendor is prohibited; and
- no vendor is a franchisee.

The expanded exemption for a church, or a nonprofit organization operating a public assembly hall or meeting place, which allows a qualifying farmers market to use its property is not subject to the automatic ten-year expiration date or JLARC review.

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

Votes on Final Passage:

Senate	49	0
House	96	0

Effective: June 9, 2022