
HOUSE BILL 1906

State of Washington

67th Legislature

2022 Regular Session

By Representatives Steele, Eslick, and Young

Read first time 01/11/22. Referred to Committee on Finance.

1 AN ACT Relating to expanding eligibility for property tax
2 exemptions for nonprofit organizations; amending RCW 84.36.020,
3 84.36.037, 84.36.805, and 84.36.810; adding a new section to chapter
4 84.36 RCW; and creating new sections.

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

6 NEW SECTION. **Sec. 1.** Washington state's property tax exemption
7 framework for nonprofit organizations is unfair and unclear. Our
8 state tax code provides an exemption to a limited scope of nonprofit
9 organizations who are engaged in certain activities, and the scope of
10 those activities are defined by convoluted regulations that are
11 burdensome and costly for the public to understand. For example, the
12 tax obligation of a charitable organization dedicated to raising
13 funds and increasing opportunities for youth is made to depend not on
14 its compliance with federal tax law for charities, but on whether it
15 operates a "public meeting hall" that is used by the public more than
16 it is used by the organization. Other nonprofit organizations that
17 provide space for the community to enjoy farmers markets have seen
18 uncertainty in our tax code from provisions that limit the number of
19 days the farmers markets can operate. The legislature finds that
20 charitable nonprofit organizations provide enormous benefit to
21 Washington's communities and that Washington would be better suited

1 by broader and clearer eligibility standards for property tax exempt
2 status. The legislature recognizes that the less a nonprofit
3 charitable organization pays in taxes and in compliance costs for
4 determining state and local property tax obligations, the more our
5 communities will benefit from their mission-driven efforts.

6 **Sec. 2.** RCW 84.36.020 and 2014 c 99 s 3 are each amended to read
7 as follows:

8 The following real and personal property shall be exempt from
9 taxation:

10 (1) All lands, buildings, and personal property required for
11 necessary administration and maintenance, used, or to the extent
12 used, exclusively for public burying grounds or cemeteries without
13 discrimination as to race, color, national origin or ancestry;

14 (2)(a) All churches, personal property, and the ground, not
15 exceeding five acres in area, upon which a church of any nonprofit
16 recognized religious denomination is or must be built, together with
17 a parsonage, convent, and buildings and improvements required for the
18 maintenance and safeguarding of such property. The area exempted must
19 in any case include all ground covered by the church, parsonage,
20 convent, and buildings and improvements required for the maintenance
21 and safeguarding of such property and the structures and ground
22 necessary for street access, parking, light, and ventilation, but the
23 area of unoccupied ground exempted in such cases, in connection with
24 church, parsonage, convent, and buildings and improvements required
25 for the maintenance and safeguarding of such property, shall not
26 exceed the equivalent of one hundred twenty by one hundred twenty
27 feet except where additional unoccupied land may be required to
28 conform with state or local codes, zoning, or licensing requirements.
29 The parsonage and convent need not be on land contiguous to the
30 church property. Except as otherwise provided in this subsection, to
31 be exempt the property must be wholly used for church purposes.

32 (b) If the rental income or donations, if applicable, are
33 reasonable and do not exceed the maintenance and operation expenses
34 attributable to the portion of the property loaned or rented, the
35 exemption provided by this subsection (2) is not nullified by:

36 (i) The loan or rental of property otherwise exempt under this
37 subsection (2) to a nonprofit organization, association, or
38 corporation, or school to conduct an eleemosynary activity or to
39 conduct activities related to a farmers market. However, activities

1 related to a farmers market may not occur on the property more than
2 53 days each assessment year. For the purposes of this section,
3 "farmers market" has the same meaning as "qualifying farmers market"
4 as defined in RCW 66.24.170;

5 (ii) The rental or use of the property by any individual, group,
6 or entity, where such rental or use is not otherwise authorized by
7 this subsection (2), for not more than fifty days in each calendar
8 year, and the property is not used for pecuniary gain or to promote
9 business activities for more than fifteen of the fifty days in each
10 calendar year. The fifty and fifteen-day limitations provided in this
11 subsection (2)(b)(ii) do not include days during which setup and
12 takedown activities take place immediately preceding or following a
13 meeting or other event by an individual, group, or entity using the
14 property as provided in this subsection (2)(b)(ii); or

15 (iii) An inadvertent use of the property in a manner inconsistent
16 with the purpose for which exemption is granted, if the inadvertent
17 use is not part of a pattern of use. A pattern of use is presumed
18 when an inadvertent use is repeated in the same assessment year or in
19 two or more successive assessment years.

20 **Sec. 3.** RCW 84.36.037 and 2014 c 99 s 8 are each amended to read
21 as follows:

22 (1) Real or personal property owned by a nonprofit organization,
23 association, or corporation in connection with the operation of a
24 public assembly hall or meeting place is exempt from taxation. The
25 area exempt under this section includes the building or buildings,
26 the land under the buildings, and an additional area necessary for
27 parking, not exceeding a total of one acre. When property for which
28 exemption is sought is essentially unimproved except for restroom
29 facilities and structures and this property has been used primarily
30 for annual community celebration events for at least ten years, the
31 exempt property shall not exceed twenty-nine acres.

32 (2) To qualify for this exemption the property must be used
33 exclusively for public gatherings and must be available to all
34 organizations or persons desiring to use the property, but the owner
35 may impose conditions and restrictions which are necessary for the
36 safekeeping of the property and promote the purposes of this
37 exemption. Membership shall not be a prerequisite for the use of the
38 property.

1 (3) The use of the property for pecuniary gain or for business
2 activities, except as provided in this section and RCW 84.36.805,
3 nullifies the exemption otherwise available for the property for the
4 assessment year. If all income received from rental or use of the
5 exempt property is used for capital improvements to the exempt
6 property, maintenance and operation of the exempt property, or exempt
7 purposes, the exemption is not nullified as provided by RCW 84.36.805
8 or by ~~((the))~~:

9 (a) The use of the property to conduct a qualifying farmers
10 market, as defined in RCW 66.24.170, for not more than 53 days each
11 assessment year, if the rental income or donations, if any, are
12 reasonable and do not exceed the maintenance and operation expenses
13 attributable to the portion of the property loaned or rented; or

14 (b) The use of the property, in a county with a population of
15 less than twenty thousand, to promote the following business
16 activities, if the rental income or donations, if any, are reasonable
17 and do not exceed the maintenance and operation expenses attributable
18 to the portion of the property loaned or rented: Dance lessons, art
19 classes, or music lessons.

20 (4) The department of revenue must narrowly construe this
21 exemption.

22 **Sec. 4.** RCW 84.36.805 and 2016 c 217 s 3 are each amended to
23 read as follows:

24 (1) In order to qualify for an exemption under this chapter, the
25 nonprofit organizations, associations, or corporations must satisfy
26 the conditions in this section or section 5 of this act.

27 (2) ~~((The))~~ Except for exemptions qualified for under section 5
28 of this act, property must be used exclusively for the actual
29 operation of the activity for which exemption is granted, unless
30 otherwise provided, and does not exceed an amount reasonably
31 necessary for that purpose. Notwithstanding anything to the contrary
32 in this section:

33 (a) The loan or rental of the property does not subject the
34 property to tax if:

35 (i) The rents and donations received for the use of the portion
36 of the property are reasonable and do not exceed the maintenance and
37 operation expenses attributable to the portion of the property loaned
38 or rented; and

1 (ii) Except for the exemptions under RCW 84.36.030(4), 84.36.037,
2 84.36.050, and 84.36.060(1) (a) and (b), the property would be exempt
3 from tax if owned by the organization to which it is loaned or
4 rented;

5 (b) The use of the property for fund-raising events does not
6 subject the property to tax if the fund-raising events are consistent
7 with the purposes for which the exemption is granted or are conducted
8 by a nonprofit organization. If the property is loaned or rented to
9 conduct a fund-raising event, the requirements of (a) of this
10 subsection (2) apply;

11 (c) An inadvertent use of the property in a manner inconsistent
12 with the purpose for which exemption is granted does not subject the
13 property to tax, if the inadvertent use is not part of a pattern of
14 use. A pattern of use is presumed when an inadvertent use is repeated
15 in the same assessment year or in two or more successive assessment
16 years.

17 (3) The facilities and services must be available to all
18 regardless of race, color, national origin or ancestry.

19 (4) The organization, association, or corporation must be duly
20 licensed or certified where such licensing or certification is
21 required by law or regulation.

22 (5) Property sold to organizations, associations, or corporations
23 with an option to be repurchased by the seller does not qualify for
24 exempt status. This subsection does not apply to property sold to a
25 nonprofit entity, as defined in RCW 84.36.560(7), by:

26 (a) A nonprofit as defined in RCW 84.36.800 that is exempt from
27 income tax under 26 U.S.C. Sec. 501(c) of the federal internal
28 revenue code;

29 (b) A governmental entity established under RCW 35.21.660,
30 35.21.670, or 35.21.730;

31 (c) A housing authority created under RCW 35.82.030;

32 (d) A housing authority meeting the definition in RCW
33 35.82.210(2) (a); or

34 (e) A housing authority established under RCW 35.82.300.

35 (6) The department must have access to its books in order to
36 determine whether the nonprofit organization, association, or
37 corporation is exempt from taxes under this chapter.

38 (7) This section does not apply to exemptions granted under RCW
39 84.36.020, 84.36.032, 84.36.250, 84.36.049, and 84.36.480(2).

1 (8) (a) The use of property exempt under this chapter, other than
2 as specifically authorized by this chapter, nullifies the exemption
3 otherwise available for the property for the assessment year.
4 However, the exemption is not nullified by the use of the property by
5 any individual, group, or entity, where such use is not otherwise
6 authorized by this chapter, for not more than fifty days in each
7 calendar year, and the property is not used for pecuniary gain or to
8 promote business activities for more than fifteen of the fifty days
9 in each calendar year. The fifty and fifteen-day limitations provided
10 in this subsection (8) (a) do not include days during which setup and
11 takedown activities take place immediately preceding or following a
12 meeting or other event by an individual, group, or entity using the
13 property as provided in this subsection (8) (a).

14 (b) If uses of the exempt property exceed the fifty and fifteen-
15 day limitations provided in (a) of this subsection (8) during an
16 assessment year, the exemption is removed for the affected portion of
17 the property for that assessment year.

18 NEW SECTION. **Sec. 5.** A new section is added to chapter 84.36
19 RCW to read as follows:

20 Any real and personal property owned by an organization that is
21 exempt from federal taxes under 26 U.S.C. Sec. 501(c)(3) shall be
22 exempt from taxation.

23 **Sec. 6.** RCW 84.36.810 and 2006 c 305 s 4 are each amended to
24 read as follows:

25 (1) (a) Upon cessation of a use under which an exemption has been
26 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
27 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,
28 84.36.560, 84.36.570, (~~and~~) 84.36.650, and section 5 of this act,
29 except as provided in (b) of this subsection, the county treasurer
30 shall collect all taxes which would have been paid had the property
31 not been exempt during the three years preceding, or the life of such
32 exemption, if such be less, together with the interest at the same
33 rate and computed in the same way as that upon delinquent property
34 taxes. If the property has been granted an exemption for more than
35 ten consecutive years, taxes and interest shall not be assessed under
36 this section.

37 (b) Upon cessation of use by an institution of higher education
38 of property exempt under RCW 84.36.050(2) the county treasurer shall

1 collect all taxes which would have been paid had the property not
2 been exempt during the seven years preceding, or the life of the
3 exemption, whichever is less.

4 (2) Subsection (1) of this section applies only when ownership of
5 the property is transferred or when fifty-one percent or more of the
6 area of the property loses its exempt status. The additional tax
7 under subsection (1) of this section shall not be imposed if the
8 cessation of use resulted solely from:

9 (a) Transfer to a nonprofit organization, association, or
10 corporation for a use which also qualifies and is granted exemption
11 under this chapter;

12 (b) A taking through the exercise of the power of eminent domain,
13 or sale or transfer to an entity having the power of eminent domain
14 in anticipation of the exercise of such power;

15 (c) Official action by an agency of the state of Washington or by
16 the county or city within which the property is located which
17 disallows the present use of such property;

18 (d) A natural disaster such as a flood, windstorm, earthquake, or
19 other such calamity rather than by virtue of the act of the
20 organization, association, or corporation changing the use of such
21 property;

22 (e) Relocation of the activity and use of another location or
23 site except for undeveloped properties of camp facilities exempted
24 under RCW 84.36.030;

25 (f) Cancellation of a lease on leased property that had been
26 exempt under this chapter;

27 (g) A change in the exempt portion of a home for the aging under
28 RCW 84.36.041(3), as long as some portion of the home remains exempt;
29 or

30 (h) Transfer to an agency of the state of Washington or the city
31 or county within which the property is located.

32 (3) Subsection (2)(e) and (f) of this section (~~((does))~~) does
33 not apply to property leased to a state institution of higher
34 education and exempt under RCW 84.36.050(2).

35 NEW SECTION. **Sec. 7.** This act applies to taxes levied for
36 collection in 2023 and thereafter.

1 NEW SECTION. **Sec. 8.** The provisions of RCW 82.32.805 and
2 82.32.808 do not apply to this act.

--- END ---