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**HOUSE BILL 1967**

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**State of Washington**

**67th Legislature**

**2022 Regular Session**

**By** Representatives Steele, Riccelli, Berry, Lekanoff, Santos, and Duerr

Read first time 01/13/22. Referred to Committee on Finance.

1 AN ACT Relating to property tax exemptions for nonprofits;  
2 amending RCW 84.36.020, 84.36.037, and 84.36.805; and creating new  
3 sections.

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

5 **Sec. 1.** RCW 84.36.020 and 2014 c 99 s 3 are each amended to read  
6 as follows:

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

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

13 (2)(a) All churches, personal property, and the ground, not  
14 exceeding five acres in area, upon which a church of any nonprofit  
15 recognized religious denomination is or must be built, together with  
16 a parsonage, convent, and buildings and improvements required for the  
17 maintenance and safeguarding of such property. The area exempted must  
18 in any case include all ground covered by the church, parsonage,  
19 convent, and buildings and improvements required for the maintenance  
20 and safeguarding of such property and the structures and ground  
21 necessary for street access, parking, light, and ventilation, but the

1 area of unoccupied ground exempted in such cases, in connection with  
2 church, parsonage, convent, and buildings and improvements required  
3 for the maintenance and safeguarding of such property, shall not  
4 exceed the equivalent of one hundred twenty by one hundred twenty  
5 feet except where additional unoccupied land may be required to  
6 conform with state or local codes, zoning, or licensing requirements.  
7 The parsonage and convent need not be on land contiguous to the  
8 church property. Except as otherwise provided in this subsection, to  
9 be exempt the property must be wholly used for church purposes.

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

14 (i) The loan or rental of property otherwise exempt under this  
15 subsection (2) to a nonprofit organization, association, or  
16 corporation, or school to conduct an eleemosynary activity or  
17 activities related to a farmers market. However, activities related  
18 to a farmers market may not occur on the property more than 53 days  
19 each assessment year. For the purposes of this section, "farmers  
20 market" has the same meaning as "qualifying farmers market" as  
21 defined in RCW 66.24.170;

22 (ii) The rental or use of the property by any individual, group,  
23 or entity, where such rental or use is not otherwise authorized by  
24 this subsection (2), for not more than fifty days in each calendar  
25 year, and the property is not used for pecuniary gain or to promote  
26 business activities for more than fifteen of the fifty days in each  
27 calendar year. The fifty and fifteen-day limitations provided in this  
28 subsection (2)(b)(ii) do not include days during which setup and  
29 takedown activities take place immediately preceding or following a  
30 meeting or other event by an individual, group, or entity using the  
31 property as provided in this subsection (2)(b)(ii); or

32 (iii) An inadvertent use of the property in a manner inconsistent  
33 with the purpose for which exemption is granted, if the inadvertent  
34 use is not part of a pattern of use. A pattern of use is presumed  
35 when an inadvertent use is repeated in the same assessment year or in  
36 two or more successive assessment years.

37 **Sec. 2.** RCW 84.36.037 and 2014 c 99 s 8 are each amended to read  
38 as follows:

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

11 (2) To qualify for this exemption the property must be used  
12 exclusively for public gatherings and must be available to all  
13 organizations or persons desiring to use the property, but the owner  
14 may impose conditions and restrictions which are necessary for the  
15 safekeeping of the property and promote the purposes of this  
16 exemption. Membership shall not be a prerequisite for the use of the  
17 property.

18 (3) The use of the property for pecuniary gain or for business  
19 activities, except as provided in this section and RCW 84.36.805,  
20 nullifies the exemption otherwise available for the property for the  
21 assessment year. If all income received from rental or use of the  
22 exempt property is used for capital improvements to the exempt  
23 property, maintenance and operation of the exempt property, or exempt  
24 purposes, the exemption is not nullified as provided by RCW 84.36.805  
25 or by ~~((the))~~:

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

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

37 (4) The department of revenue must narrowly construe this  
38 exemption.

1       **Sec. 3.** RCW 84.36.805 and 2016 c 217 s 3 are each amended to  
2 read as follows:

3       (1) In order to qualify for an exemption under this chapter, the  
4 nonprofit organizations, associations, or corporations must satisfy  
5 the conditions in this section.

6       (2) The property must be used exclusively for the actual  
7 operation of the activity for which exemption is granted, unless  
8 otherwise provided, and does not exceed an amount reasonably  
9 necessary for that purpose. Notwithstanding anything to the contrary  
10 in this section:

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

13       (i) The rents and donations received for the use of the portion  
14 of the property are reasonable and do not exceed the maintenance and  
15 operation expenses attributable to the portion of the property loaned  
16 or rented; and

17       (ii) Except for the exemptions under RCW 84.36.030(4), 84.36.037,  
18 84.36.050, and 84.36.060(1) (a) and (b), the property would be exempt  
19 from tax if owned by the organization to which it is loaned or  
20 rented;

21       (b) The use of the property for fund-raising events does not  
22 subject the property to tax if the fund-raising events are consistent  
23 with the purposes for which the exemption is granted or are conducted  
24 by a nonprofit organization. If the property is loaned or rented to  
25 conduct a fund-raising event, the requirements of (a) of this  
26 subsection (2) apply;

27       (c) An inadvertent use of the property in a manner inconsistent  
28 with the purpose for which exemption is granted does not subject the  
29 property to tax, if the inadvertent use is not part of a pattern of  
30 use. A pattern of use is presumed when an inadvertent use is repeated  
31 in the same assessment year or in two or more successive assessment  
32 years.

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

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

38       (5) Property sold to organizations, associations, or corporations  
39 with an option to be repurchased by the seller does not qualify for

1 exempt status. This subsection does not apply to property sold to a  
2 nonprofit entity, as defined in RCW 84.36.560(7), by:

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

6 (b) A governmental entity established under RCW 35.21.660,  
7 35.21.670, or 35.21.730;

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

9 (d) A housing authority meeting the definition in RCW  
10 35.82.210(2)(a); or

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

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

15 (7) This section does not apply to exemptions granted under RCW  
16 84.36.020, 84.36.032, 84.36.250, 84.36.049, and 84.36.480(2).

17 (8)(a) The use of property exempt under this chapter, other than  
18 as specifically authorized by this chapter, nullifies the exemption  
19 otherwise available for the property for the assessment year.  
20 However, the exemption is not nullified by the use of the property by  
21 any individual, group, or entity, where such use is not otherwise  
22 authorized by this chapter, for not more than fifty days in each  
23 calendar year, and the property is not used for pecuniary gain or to  
24 promote business activities for more than fifteen of the fifty days  
25 in each calendar year. The fifty and fifteen-day limitations provided  
26 in this subsection (8)(a) do not include days during which setup and  
27 takedown activities take place immediately preceding or following a  
28 meeting or other event by an individual, group, or entity using the  
29 property as provided in this subsection (8)(a).

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

34 (9) By December 31, 2022, the department must convene a work  
35 group to identify and categorize nonprofits in the state that do not  
36 benefit from the current structure of property tax exemptions for  
37 nonprofits as well as those that find the current structure  
38 administratively cumbersome. Findings must be reported back to the  
39 legislature by January 9, 2023.

1        NEW SECTION.    **Sec. 4.**    Sections 1 and 2 of this act apply to  
2 taxes levied for collection in 2023 and thereafter.

3        NEW SECTION.    **Sec. 5.**    RCW 82.32.805 and 82.32.808 do not apply  
4 to this act.

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