

HOUSE BILL REPORT

HB 1756

As Reported By House Committee On:

Finance

Title: An act relating to the property taxation of nonprofit cancer clinics.

Brief Description: Exempting nonprofit cancer centers from property tax.

Sponsors: Representatives Delvin, Koster, Mitchell, Robertson, McMorris, Sheahan, Zellinsky, Smith, Van Luven, Thompson, O'Brien and Dunn.

Brief History:

Committee Activity:

Finance: 3/4/97, 3/7/97 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington and Schoesler.

Staff: Linda Brooks (786-7153).

Background: All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law.

Several property tax exemptions exist for nonprofit organizations. Some exemptions apply only to property owned by a nonprofit organization, and other exemptions apply to property either owned or leased by a nonprofit. Examples of some nonprofit property tax exemptions are:

PROPERTY TAX EXEMPTIONS FOR NONPROFIT ORGANIZATIONS

Exempt on Owned Property Only

- Character Building, Benevolent, Protective or Rehabilitative Social Service Organizations
- Churches and Church Camps
- Youth Character Building Organizations
- War Veterans' Organizations

Exempt on Owned or Leased Property

- Free Public Libraries
- Orphanages
- Nursing Homes
- Hospitals

- Water Distribution Property
- Nonprofit Nature Conservancy Organization
- Public Assembly Halls
- Medical Research or Training facilities
- Art, Scientific, or Historical Collections or Facilities
- Sheltered Workshops
- Fair Associations
- Humane Societies
- Homes for the Aging
- Schools and Colleges
- Day Care Centers
- Radio/TV Rebroadcast Facilities
- Performing Arts Property
- Homeless Shelters
- Outpatient Dialysis Facilities
- Blood Banks

Summary of Substitute Bill: All real or personal property owned or leased by a nonprofit organization in connection with a nonprofit cancer clinic is exempt from property tax. To receive an exemption, the following conditions must be met:

- 1) the clinic must be comprised of or have been formed by an organization qualified for exemption under section 501(c)(3) of the federal Internal Revenue Code, by a municipal hospital corporation, or by both;
- 2) the clinic must be operated by an organization qualified for exemption under section 501(c)(3) of the federal Internal Revenue Code;
- 3) the property must be primarily used for treating cancer patients and conducting cancer research; and
- 4) if the property is leased, the nonprofit organization must receive the benefit of the exemption (instead of the property owner).

This property tax exemption applies not only to the medical and research facilities but also to administrative offices located within a clinic that are used exclusively in conjunction with the cancer treatment and research services provided.

This property tax exemption applies to taxes levied in 1998 or thereafter.

Substitute Bill Compared to Original Bill: The substitute bill broadens the definition of a cancer clinic to include clinics conducting cancer research.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill will benefit a cancer treatment center located in the Tri-Cities area. If the bill is amended to cover cancer research facilities, then the Fred Hutchinson Cancer Research Center will benefit too.

The Fred Hutchinson Cancer Research Center has sold a building and presently leases space back from the new landowner, while a new building is under construction. The Fred Hutchinson Cancer Research Center is paying property tax as part of its rent on the leased space for two years.

The center will not owe property tax when its new building is finished, because the new building will qualify for the medical research facility property tax exemption. Until the new building is complete, however, the center must pay property tax on its leased space, because the medical research property tax exemption only applies to properties *owned* by a research center. Therefore, the Fred Hutchinson Cancer Research Center requests an amendment that broadens the definition of a cancer clinic to include both cancer treatment and research activities.

Testimony Against: None.

Testified: (Pro) Representative Delvin; and Mike Ryherd, Fred Hutchinson Cancer Research Center.