
SUBSTITUTE SENATE BILL 6737

State of Washington

55th Legislature

1998 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Deccio, Wojahn, Wood, Patterson, West, Fraser, Thibaudeau, Morton, Schow, Winsley, Oke, Prentice, B. Sheldon and Rasmussen)

Read first time 02/10/98.

1 AN ACT Relating to the property taxation of residential housing
2 occupied by low-income developmentally disabled persons; reenacting and
3 amending RCW 84.36.800, 84.36.805, and 84.36.810; and adding a new
4 section to chapter 84.36 RCW.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.36 RCW
7 to read as follows:

8 (1) All real and personal property owned or leased by a nonprofit
9 organization, corporation, or association to provide housing for
10 eligible persons with developmental disabilities is exempt from
11 property taxation.

12 (a) To qualify for this exemption, the nonprofit organization,
13 corporation, or association must be qualified for exemption under
14 section 501(c)(3) of the internal revenue code of 1986 (26 U.S.C. Sec.
15 501(c)(3)). It must also have been organized for charitable purposes
16 to create and preserve long-term affordable housing for low-income
17 developmentally disabled persons.

18 (b) The housing must be occupied by eligible persons who have a low
19 income.

1 (2) As used in this section:

2 (a) "Developmental disability" means the same as defined in RCW
3 71A.10.020;

4 (b) "Eligible person" means the same as defined in RCW 71A.10.020;
5 and

6 (c) "Low income" means the adjusted gross income of the resident is
7 at eighty percent or less of the median income adjusted for family
8 size, as most recently determined by the federal department of housing
9 and urban development for the county in which the housing is located
10 and in effect as of January 1st of the assessment year for which the
11 exemption is sought. "Adjusted gross income" is as defined in the
12 federal internal revenue code of 1986, as it exists on the effective
13 date of this act or such subsequent date as the director may provide by
14 rule consistent with the purpose of this section.

15 (3) To be exempt under this section, the property must be used
16 exclusively for the purposes for which the exemption is granted, except
17 as provided in RCW 84.36.805.

18 (4) If the real or personal property for which exemption is sought
19 is leased, the benefit of the exemption must inure to the nonprofit
20 organization, corporation, or association leasing the property to
21 provide the housing for developmentally disabled persons.

22 **Sec. 2.** RCW 84.36.800 and 1997 c 156 s 7 and 1997 c 143 s 2 are
23 each reenacted and amended to read as follows:

24 As used in ((~~RCW 84.36.020, 84.36.030, 84.36.037, 84.36.040,~~
25 ~~84.36.041, 84.36.050, 84.36.060, 84.36.550, 84.36.046, and 84.36.800~~
26 ~~through 84.36.865~~)) this chapter:

27 (1) "Church purposes" means the use of real and personal property
28 owned by a nonprofit religious organization for religious worship or
29 related administrative, educational, eleemosynary, and social
30 activities. This definition is to be broadly construed;

31 (2) "Convent" means a house or set of buildings occupied by a
32 community of clergy or nuns devoted to religious life under a superior;

33 (3) "Hospital" means any portion of a hospital building, or other
34 buildings in connection therewith, used as a residence for persons
35 engaged or employed in the operation of a hospital, or operated as a
36 portion of the hospital unit;

37 (4) "Nonprofit" means an organization, association or corporation
38 no part of the income of which is paid directly or indirectly to its

1 members, stockholders, officers, directors or trustees except in the
2 form of services rendered by the organization, association, or
3 corporation in accordance with its purposes and bylaws and the salary
4 or compensation paid to officers of such organization, association or
5 corporation is for actual services rendered and compares to the salary
6 or compensation of like positions within the public services of the
7 state;

8 (5) "Parsonage" means a residence occupied by a member of the
9 clergy who has been designated for a particular congregation and who
10 holds regular services therefor.

11 **Sec. 3.** RCW 84.36.805 and 1997 c 156 s 8 and 1997 c 143 s 3 are
12 each reenacted and amended to read as follows:

13 In order to be exempt pursuant to RCW 84.36.030, 84.36.035,
14 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,
15 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480, 84.36.550, and
16 (~~84.36.046~~) section 1 of this act, the nonprofit organizations,
17 associations or corporations shall satisfy the following conditions:

18 (1) The property is used exclusively for the actual operation of
19 the activity for which exemption is granted, unless otherwise provided,
20 and does not exceed an amount reasonably necessary for that purpose,
21 except:

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

24 (i) The rents and donations received for the use of the portion of
25 the property are reasonable and do not exceed the maintenance and
26 operation expenses attributable to the portion of the property loaned
27 or rented; and

28 (ii) Except for the exemptions under RCW 84.36.030(4) and
29 84.36.037, the property would be exempt from tax if owned by the
30 organization to which it is loaned or rented;

31 (b) The use of the property for fund-raising activities does not
32 subject the property to tax if the fund-raising activities are
33 consistent with the purposes for which the exemption is granted;

34 (2) The property is irrevocably dedicated to the purpose for which
35 exemption has been granted, and on the liquidation, dissolution, or
36 abandonment by said organization, association, or corporation, said
37 property will not inure directly or indirectly to the benefit of any
38 shareholder or individual, except a nonprofit organization,

1 association, or corporation which too would be entitled to property tax
2 exemption. This property need not be irrevocably dedicated if it is
3 leased or rented to those qualified for exemption pursuant to RCW
4 84.36.035, 84.36.040, 84.36.041, 84.36.043, (~~(or)~~) 84.36.046, or
5 section 1 of this act or those qualified for exemption as an
6 association engaged in the production or performance of musical, dance,
7 artistic, dramatic, or literary works pursuant to RCW 84.36.060, but
8 only if under the terms of the lease or rental agreement the nonprofit
9 organization, association, or corporation receives the benefit of the
10 exemption;

11 (3) The facilities and services are available to all regardless of
12 race, color, national origin or ancestry;

13 (4) The organization, association, or corporation is duly licensed
14 or certified where such licensing or certification is required by law
15 or regulation;

16 (5) Property sold to organizations, associations, or corporations
17 with an option to be repurchased by the seller shall not qualify for
18 exempt status;

19 (6) The director of the department of revenue shall have access to
20 its books in order to determine whether such organization, association,
21 or corporation is exempt from taxes within the intent of RCW 84.36.030,
22 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,
23 84.36.046, 84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480, and
24 (~~(84.36.046)~~) section 1 of this act.

25 **Sec. 4.** RCW 84.36.810 and 1997 c 156 s 9 and 1997 c 143 s 4 are
26 each reenacted and amended to read as follows:

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

37 (2) Subsection (1) of this section applies only when ownership of
38 the property is transferred or when fifty-one percent or more of the

1 area of the property has lost its exempt status. The additional tax
2 under subsection (1) of this section shall not be imposed if the
3 cessation of use resulted solely from:

4 (a) Transfer to a nonprofit organization, association, or
5 corporation for a use which also qualifies and is granted exemption
6 under the provisions of chapter 84.36 RCW;

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

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

13 (d) A natural disaster such as a flood, windstorm, earthquake, or
14 other such calamity rather than by virtue of the act of the
15 organization, association, or corporation changing the use of such
16 property;

17 (e) Relocation of the activity and use of another location or site
18 except for undeveloped properties of camp facilities exempted under RCW
19 84.36.030;

20 (f) Cancellation of a lease on property that had been exempt under
21 RCW 84.36.040, 84.36.041, 84.36.043, 84.36.046, 84.36.060, or
22 (~~84.36.046~~) section 1 of this act;

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

25 (h) The conversion of a full exemption of a home for the aging to
26 a partial exemption or taxable status or the conversion of a partial
27 exemption to taxable status under RCW 84.36.041(8).

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