

WAC 458-16-330 Sheltered workshops for persons with disabilities. (1) **Introduction.** This rule explains the property tax exemption available under the provisions of RCW 84.36.350 for real and personal property owned by a nonprofit organization, association, or corporation and used in operating a sheltered workshop for persons with disabilities.

(2) **Definitions.** For purposes of this rule, the following definitions apply:

(a) "Person with disabilities" means an individual who is physically, mentally, or developmentally disabled. For purposes of this rule, a person who engages in substance abuse, either drug or alcohol, is considered physically disabled.

(b) "Sheltered workshop" means a facility, or portion of a facility, operated by a nonprofit organization, association, or corporation where business activities are carried on and whose primary purpose is:

(i) To provide gainful employment or rehabilitative services to persons with disabilities as an interim step in the rehabilitation process to individuals who cannot be readily absorbed into the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist; or

(ii) To provide evaluation and work adjustment services to persons with disabilities.

(c) "Property" means real or personal property owned and used by a nonprofit organization, association, or corporation in operating a sheltered workshop for persons with disabilities.

(d) "Commercial" refers to an activity or enterprise that has profit making as its primary purpose.

(3) **Exemption.** The real or personal property owned and used by a nonprofit organization, association, or corporation in connection with the operation of a sheltered workshop for persons with disabilities and used primarily to manufacture and handle, sell, or distribute goods constructed, processed, or repaired in a sheltered workshop is exempt from ad valorem taxation.

(a) Inventory owned by a sheltered workshop is also exempt from taxation if the inventory is for sale or lease by the sheltered workshop or the inventory is to be furnished under a contract of service. For example, "inventory" includes, but is not limited to, raw materials, work in process, and finished products.

(b) The primary use of any property exempt under this rule must be to provide training, gainful employment, or rehabilitation services to persons who meet the definition of "person with disabilities" contained in subsection (2) of this rule.

(c) Example. A sheltered workshop that teaches trade skills and work habits to the blind so that trainees might enter the competitive labor market may qualify for this exemption. This workshop may also qualify if it provides training in recreational activities and living skills, such as housekeeping and cooking.

(d) If any portion of the organization's, association's, or corporation's property is used for a commercial purpose rather than for an exempt purpose, that portion of the property must be segregated and taxed.

(4) **Cross reference to excise tax exemption.** A nonprofit organization, association, or corporation that receives a property exemption under RCW 84.36.350 may also be exempt from certain excise taxes. See RCW 82.04.385 for more specific information.

(5) **Additional requirements.** Any organization, association, or corporation that applies for a property tax exemption under this rule must also comply with the provisions of WAC 458-16-165. Conditions under which nonprofit organizations, associations, or corporations may obtain a property tax exemption, that explains the additional requirements necessary to obtain a property tax exemption pursuant to RCW 84.36.350.

[Statutory Authority: RCW 84.36.865. WSR 22-24-097, § 458-16-330, filed 12/6/22, effective 1/6/23. Statutory Authority: RCW 84.08.010, 84.08.070 and chapter 84.36 RCW. WSR 94-07-008, § 458-16-330, filed 3/3/94, effective 4/3/94.]