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**SUBSTITUTE HOUSE BILL 1949**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** House Committee on Revenue (originally sponsored by Representatives Morris, Wang, Appelwick, Brough, Rust, Foreman, Springer, Peery, Ogden, Dunshee, Sommers, G. Cole, G. Fisher, R. Meyers, Riley, Mastin, Quall, Kessler, Romero, Karahalios, Shin, Basich, Heavey, Zellinsky, Ludwig, Roland, L. Johnson, Orr, Valle, Flemming, Bray, Holm, Hansen, Rayburn, Wolfe, Anderson, Finkbeiner, H. Myers, R. Fisher, Locke, Brown, Sheldon, Johanson, Veloria, Cothorn, Scott, Leonard, Jacobsen, R. Johnson, King, Linville, Pruitt, Eide, Campbell, Grant, J. Kohl and Patterson)

Read first time 03/08/93.

1 AN ACT Relating to political activities of organizations exempt  
2 from property taxes; adding a new section to chapter 84.36 RCW; and  
3 creating new sections.

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

5 NEW SECTION. **Sec. 1.** The legislature finds that exemption from  
6 property tax is a privilege granted to certain types of organizations  
7 because their organizational purposes are basically altruistic,  
8 religious, or educational. The legislature recognizes that nonprofit  
9 organizations provide community services and community benefit. It is  
10 in recognition of this contribution to a stable, quality community that  
11 exemption from property tax is granted. The legislature further finds  
12 that, because of the nature of the state's property tax system, the  
13 exemption for the nonprofit organization is a form of subsidy because  
14 the amount exempted is redistributed to other citizens' property tax  
15 bills. They, in turn, pay the cost of public services provided to the  
16 tax exempt organizations.

17 The legislature further finds that in exchange for the privilege of  
18 exemption from property taxes certain prohibitions on activities of tax  
19 exempt organizations are fair and appropriate. Nonprofit exempt

1 organizations, associations, or corporations, in order to continue to  
2 receive the form of public subsidy represented by a property tax  
3 exemption, and in order to continue to provide service to the general  
4 public, should remain neutral with respect to activities that affect  
5 political campaigns on behalf of, in support of, or in opposition to,  
6 a political candidate or group of political candidates.

7 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW  
8 to read as follows:

9 (1) Except as specified in subsection (4) of this section, a  
10 nonprofit organization, association, or corporation exempt from  
11 property tax under any of the provisions of this chapter shall not use  
12 its financial or physical resources to engage in prohibited political  
13 activities. If any such nonprofit organization, association, or  
14 corporation engages in prohibited political activity, the real and  
15 personal property of the nonprofit organization, association, or  
16 corporation is subject to taxation. For purposes of this section, the  
17 following definitions apply:

18 (a) "Prohibited political activities" means direct intervention in  
19 a political campaign on behalf of, in support of, or in opposition to,  
20 a political candidate or group of political candidates and includes but  
21 is not limited to:

22 (i) Displaying or distributing posters, pamphlets, or signs on  
23 behalf of, in support of, or in opposition to a political candidate or  
24 a group of political candidates;

25 (ii) Soliciting funds or other resources to be used on behalf of,  
26 in support of, or in opposition to a political candidate or a group of  
27 political candidates;

28 (iii) Contributing funds or other resources to be used on behalf  
29 of, in support of, or in opposition to a political candidate or a group  
30 of political candidates;

31 (iv) Printing or distributing written or printed materials on  
32 behalf of, in support of, or in opposition to a political candidate or  
33 a group of political candidates;

34 (v) Using bulletins, newsletters, or other written or printed  
35 materials of an exempt organization, association, or corporation to  
36 promote, or to support, promote, or oppose a political candidate or a  
37 group of political candidates;

1 (vi) Using a vehicle of an exempt organization, association, or  
2 corporation to transport members or others to an event or rally on  
3 behalf of, in support of, or in opposition to a political candidate or  
4 a group of political candidates;

5 (vii) Using tax exempt property as an assembly site or gathering  
6 area for an event or rally, on behalf of, in support of, or in  
7 opposition to a political candidate or a group of political candidates;  
8 and

9 (viii) Using equipment or supplies of an exempt organization,  
10 association, or corporation to produce, reproduce, or distribute  
11 written or printed materials on behalf of, in support of, or in  
12 opposition to a political candidate or a group of political candidates.

13 (b) "Political candidate" means an individual who offers himself or  
14 herself, or is proposed by others, as a contestant for an elective  
15 office, whether such office is national, state, or local.

16 (2) An exempt organization, association, or corporation's property  
17 tax exemption will not be revoked as the result of an inadvertent  
18 violation of the provisions of this section, if the inadvertent  
19 violation is not part of a pattern of violation. An inadvertent  
20 violation repeated in the same or successive assessment years is  
21 presumed to be a pattern of violation.

22 (3) If an exempt organization, association, or corporation engages  
23 in prohibited political activity, the following sanctions shall apply:

24 (a) Upon any violation of this section, the department of revenue  
25 shall issue a notice in writing to the exempt organization,  
26 association, or corporation indicating the nature of the alleged  
27 violation. The organization shall have thirty days to respond. If,  
28 after considering relevant information, the department of revenue finds  
29 that the exempt organization, association, or corporation has engaged  
30 in prohibited activity, the department shall issue a notice in writing.  
31 The notice shall indicate the nature of the violation and a warning  
32 that further or additional violation of this section shall result in  
33 revocation of exemption. The exempt organization, association, or  
34 corporation may appeal the department's finding in accordance with the  
35 provisions of RCW 34.05.410 through 34.05.494.

36 (b) A further or additional violation of this section after the  
37 warning has been issued shall result in revocation of exemption.

38 (c) An appeal from the revocation decision of the department shall  
39 be made to the department within thirty days of mailing of the

1 decision. The department shall provide by rule for hearing of the  
2 appeal in accordance with the provisions of RCW 34.05.410 through  
3 34.05.494. A further appeal from an adverse decision of the department  
4 may be made de novo in accordance with RCW 84.36.850.

5 (d) The nonprofit organization, association, or corporation shall  
6 not be allowed to reapply for property tax exemption during the  
7 remainder of the year in which the revocation decision under this  
8 section was issued, and for one additional assessment year.

9 (4) Organizations exempt from taxation under RCW 84.36.050 are  
10 exempt from subsection (1) of this section.

11 (5) Nothing in this section may be construed to prohibit political  
12 activity or limit freedom of speech of individual members of a  
13 nonprofit organization, association, or corporation exempt under this  
14 chapter.

15 (6) Nothing in this section may be construed as a prohibition on an  
16 exempt organization's ability to hold candidate forums where all  
17 candidates are given equal opportunity to express their views and  
18 distribute materials.

19 (7) The property tax exemption of a nonprofit organization,  
20 association, or corporation shall not be jeopardized under this section  
21 if the exempt property is rented to another organization for an event  
22 or rally on behalf of, in support of, or in opposition to, a political  
23 candidate or group of political candidates if the rent received for the  
24 use of the property represents the normal and standard rate for the  
25 maintenance and operation expenses associated with such use of the  
26 property and does not exceed the maintenance and operation expenses  
27 attributable to the portion of the property rented, and the rental of  
28 the property otherwise complies with the provisions of RCW 84.36.805.

29 NEW SECTION. **Sec. 3.** No provision of this act may be applied,  
30 construed, or interpreted, in any way, to be more restrictive than the  
31 application, construction, or interpretation of the provisions of 26  
32 U.S.C. Sec. 501(c)(3) of the internal revenue code as they apply to  
33 political activities by tax-exempt, nonprofit organizations and the  
34 loss of tax-exempt status by such organizations.

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