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**SUBSTITUTE SENATE BILL 5587**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Franklin, Wojahn, McAuliffe, Winsley, Prentice, Barr, Roach and Hochstatter)

Read first time 03/08/93.

1 AN ACT Relating to property tax exemptions for nonprofit character-  
2 building, benevolent, protective, or rehabilitative social service  
3 agencies; amending RCW 84.36.030, 84.36.031, and 84.36.810; reenacting  
4 and amending RCW 84.36.805; and creating a new section.

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

6 **Sec. 1.** RCW 84.36.030 and 1990 c 283 s 6 are each amended to read  
7 as follows:

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

10 (1) Property owned or used by nonprofit organizations or  
11 associations, organized and conducted for nonsectarian purposes, which  
12 shall be used for character-building, benevolent, protective or  
13 rehabilitative social services directed at persons of all ages:  
14 Provided, That the benefit of the exemption inures to the user. The  
15 sale of donated merchandise shall not be considered a commercial use of  
16 the property under this section if the proceeds are devoted to the  
17 furtherance of the purposes of the selling organization or association  
18 as specified in this paragraph.

1 (2) Property owned by any nonprofit church, denomination, group of  
2 churches, or an organization or association, the membership of which is  
3 comprised solely of churches or their qualified representatives, which  
4 is utilized as a camp facility if used for organized and supervised  
5 recreational activities and church purposes as related to such camp  
6 facilities. The exemption provided by this paragraph shall apply to a  
7 maximum of two hundred acres of any such camp as selected by the  
8 church, including buildings and other improvements thereon.

9 (3) Property, including buildings and improvements required for the  
10 maintenance and safeguarding of such property, owned by nonprofit  
11 organizations or associations engaged in character building of boys and  
12 girls under eighteen years of age, and used for such purposes and uses,  
13 provided such purposes and uses are for the general public good:  
14 PROVIDED, That if existing charters provide that organizations or  
15 associations, which would otherwise qualify under the provisions of  
16 this paragraph, serve boys and girls up to the age of twenty-one years,  
17 then such organizations or associations shall be deemed qualified  
18 pursuant to this section.

19 (4) Property owned by all organizations and societies of veterans  
20 of any war of the United States, recognized as such by the department  
21 of defense, which shall have national charters, and which shall have  
22 for their general purposes and objects the preservation of the memories  
23 and associations incident to their war service and the consecration of  
24 the efforts of their members to mutual helpfulness and to patriotic and  
25 community service to state and nation. To be exempt such property must  
26 be used in such manner as may be reasonably necessary to carry out the  
27 purposes and objects of such societies.

28 The use of the property for pecuniary gain or to promote business  
29 activities, except fund raising activities conducted by a nonprofit  
30 organization, nullifies the exemption otherwise available for the  
31 property for the assessment year.

32 (5) Property owned by all corporations, incorporated under any act  
33 of congress, whose principal purposes are to furnish volunteer aid to  
34 members of the armed forces of the United States and also to carry on  
35 a system of national and international relief and to apply the same in  
36 mitigating the sufferings caused by pestilence, famine, fire, floods,  
37 and other national calamities and to devise and carry on measures for  
38 preventing the same.

1 (6) Property owned by nonprofit organizations exempt from federal  
2 income tax under section 501(c)(3) of the internal revenue code of  
3 1954, as amended, that are guarantee agencies under the federal  
4 guaranteed student loan program or that issue debt to provide or  
5 acquire student loans.

6 (7) To be exempt under this section, the property must be used  
7 exclusively for the purposes for which exemption is granted, except as  
8 provided in RCW 84.36.805.

9 **Sec. 2.** RCW 84.36.031 and 1969 c 137 s 2 are each amended to read  
10 as follows:

11 Property leased, loaned, sold with the option to repurchase, or  
12 otherwise made available to organizations as set out in RCW 84.36.030  
13 (~~above~~) (2) through (6) shall not be exempt from taxation: PROVIDED,  
14 That property which is owned by an organization as set out in RCW  
15 84.36.030 may loan the property to another organization for the same  
16 purpose as set out in RCW 84.36.030.

17 **Sec. 3.** RCW 84.36.805 and 1990 c 283 ss 3 and 7 are each reenacted  
18 and amended to read as follows:

19 In order to be exempt pursuant to RCW 84.36.030, 84.36.035,  
20 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.047,  
21 84.36.050, 84.36.060, 84.36.350, and 84.36.480, the nonprofit  
22 organizations, associations or corporations shall satisfy the following  
23 conditions:

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

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

30 (i) The rents and donations received for the use of the portion of  
31 the property are reasonable and do not exceed the maintenance and  
32 operation expenses attributable to the portion of the property loaned  
33 or rented; and

34 (ii) Except for the exemptions under RCW 84.36.030(4) and  
35 84.36.037, the property would be exempt from tax if owned by the  
36 organization to which it is loaned or rented;

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

4 (2) The property is irrevocably dedicated to the purpose for which  
5 exemption has been granted, and on the liquidation, dissolution, or  
6 abandonment by said organization, association, or corporation, said  
7 property will not inure directly or indirectly to the benefit of any  
8 shareholder or individual, except a nonprofit organization,  
9 association, or corporation which too would be entitled to property tax  
10 exemption: PROVIDED, That the property need not be irrevocably  
11 dedicated if it is leased or rented to those qualified for exemption  
12 pursuant to RCW 84.36.030(1), 84.36.040, 84.36.041, or 84.36.043 or  
13 those qualified for exemption as an association engaged in the  
14 production or performance of musical, dance, artistic, dramatic, or  
15 literary works pursuant to RCW 84.36.060, but only if under the terms  
16 of the lease or rental agreement the nonprofit organization,  
17 association, or corporation receives the benefit of the exemption;

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

20 (4) The organization, association, or corporation is duly licensed  
21 or certified where such licensing or certification is required by law  
22 or regulation;

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

26 (6) The director of the department of revenue shall have access to  
27 its books in order to determine whether such organization, association,  
28 or corporation is exempt from taxes within the intent of RCW 84.36.030,  
29 84.36.035, 84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045,  
30 84.36.047, 84.36.050, 84.36.060, 84.36.350, and 84.36.480.

31 **Sec. 4.** RCW 84.36.810 and 1990 c 283 s 4 are each amended to read  
32 as follows:

33 (1) Upon cessation of a use under which an exemption has been  
34 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,  
35 84.36.043, 84.36.050, and 84.36.060, the county treasurer shall collect  
36 all taxes which would have been paid had the property not been exempt  
37 during the three years preceding, or the life of such exemption, if  
38 such be less, together with the interest at the same rate and computed

1 in the same way as that upon delinquent property taxes: PROVIDED, That  
2 where the property has been granted an exemption for more than ten  
3 years, taxes and interest shall not be assessed under this section.

4 (2) Subsection (1) of this section applies only when ownership of  
5 the property is transferred or when fifty-one percent or more of the  
6 area of the property has lost its exempt status. The additional tax  
7 under subsection (1) of this section shall not be imposed if the  
8 cessation of use resulted solely from:

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

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

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

18 (d) A natural disaster such as a flood, windstorm, earthquake, or  
19 other such calamity rather than by virtue of the act of the  
20 organization, association, or corporation changing the use of such  
21 property;

22 (e) Relocation of the activity and use of another location or site  
23 except for undeveloped properties of camp facilities exempted under RCW  
24 84.36.030;

25 (f) Cancellation of a lease on property that had been exempt under  
26 RCW 84.36.030(1), 84.36.040, 84.36.041, 84.36.043, or 84.36.060;

27 (g) A change in the exempt portion of a home for the aging under  
28 RCW 84.36.041(2), as long as some portion of the home remains exempt;

29 (h) The conversion of a full exemption of a home for the aging to  
30 a partial exemption or taxable status under RCW 84.36.041(7).

31 NEW SECTION. **Sec. 5.** This act shall be effective for taxes levied  
32 for collection in 1995 and thereafter.

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