

2 **EHB 1613** - S COMM AMD
3 By Committee on Ways & Means

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** (1) The purpose of this act is to clarify
8 the property tax exemption statutes by: (a) Repealing unnecessary and
9 duplicative statutes in chapter 84.36 RCW; (b) consolidating the
10 exemption statutes for business inventories; and (c) simplifying
11 administrative statutes pertaining to nonprofit organizations.

12 (2) Section 2, chapter . . ., Laws of 1999 (section 2 of this act)
13 consolidates all exemptions for business inventories and their related
14 definitions into one statute.

15 (3) Section 3, chapter . . ., Laws of 1999 (section 3 of this act)
16 clarifies and simplifies RCW 84.36.805 by substituting a general
17 reference to chapter 84.36 RCW for specific references to exemption
18 statutes for nonprofit organizations. RCW 84.36.805 applies to all
19 new property tax exemptions for nonprofit organizations unless the new
20 exemption is specifically exempted.

21 (4) Section 4, chapter . . ., Laws of 1999 (section 4 of this act)
22 substitutes a general reference for specific statutory references in
23 RCW 84.36.810 to clarify that back taxes are not due on the loss of
24 exemption on leased property if the lease is canceled and deletes an
25 erroneous reference caused by section 20, chapter 311, Laws of 1998.

26 (5) Section 5, chapter . . ., Laws of 1999 (section 5 of this act)
27 deletes references to previously repealed statutes and to RCW 84.36.473
28 which is repealed by section 6, chapter . . ., Laws of 1999 (section 6
29 of this act).

30 (6) Section 6 of this act repeals the statutes that have been
31 incorporated into the definition of business inventories in RCW
32 84.36.477. It also repeals unused statutes authorizing an exemption
33 for the construction of the King county stadium on private property.

34 **Sec. 2.** RCW 84.36.477 and 1983 1st ex.s. c 62 s 6 are each amended
35 to read as follows:

1 (1) Business inventories (~~as defined in RCW 84.36.473~~) are exempt
2 from property taxation.

3 (2) As used in this section:

4 (a)(i) "Business inventories" means all livestock, inventories of
5 finished goods and work in process, and personal property not under
6 lease or rental, acquired or produced solely for the purpose of sale or
7 lease or for the purpose of consuming the property in producing for
8 sale or lease a new article of tangible personal property of which the
9 property becomes an ingredient or component.

10 (ii) "Business inventories" also includes:

11 (A) All grains and flour, fruit and fruit products, unprocessed
12 timber, vegetables and vegetable products, and fish and fish products,
13 while being transported to or held in storage in a public or private
14 warehouse or storage area if actually shipped to points outside the
15 state on or before April 30th of the first year for which they would
16 otherwise be taxable;

17 (B) All finished plywood, hardboard, and particle board panels
18 shipped from outside this state to any processing plant within this
19 state, if the panels are moving under a through freight rate to final
20 destination outside this state and the carrier grants the shipper the
21 privilege of stopping the shipment in transit for the purpose of
22 storing, milling, manufacturing, or other processing, while the panels
23 are in the process of being treated or shaped into flat component parts
24 to be incorporated into finished products outside this state and for
25 thirty days after completion of the processing or treatment;

26 (C) All ore or metal shipped from outside this state to any smelter
27 or refining works within this state, while in process of reduction or
28 refinement and for thirty days after completion of the reduction or
29 refinement; and

30 (D) All metals refined by electrolytic process into cathode or bar
31 form while in this form and held under negotiable warehouse receipt in
32 a public or private warehouse recognized by an established incorporated
33 commodity exchange and for sale through the exchange.

34 (iii) "Business inventories" does not include personal property
35 acquired or produced for the purpose of lease or rental if the property
36 was leased or rented at any time during the calendar year immediately
37 preceding the year of assessment and was not thereafter remanufactured,
38 nor does it include property held within the normal course of business
39 for lease or rental for periods of less than thirty days.

1 (iv) "Business inventories" does not include agricultural or
2 horticultural property fully or partially exempt under RCW 84.36.470.

3 (v) "Business inventories" does not include timber that is standing
4 on public land and that is sold under a contract entered into after
5 August 1, 1982;

6 (b) "Fish and fish products" means all fish and fish products
7 suitable and designed for human consumption, excluding all others;

8 (c) "Fruit and fruit products" means all raw edible fruits,
9 berries, and hops and all processed products of fruits, berries, or
10 hops, suitable and designed for human consumption, while in the hands
11 of the first processor;

12 (d) "Processed" means canning, barreling, bottling, preserving,
13 refining, freezing, packing, milling, or any other method employed to
14 keep any grain, fruit, vegetable, or fish in an edible condition or to
15 put it into more suitable or convenient form for consuming, storing,
16 shipping, or marketing;

17 (e) "Remanufactured" means the restoration of property to
18 essentially its original condition, but does not mean normal
19 maintenance or repairs; and

20 (f) "Vegetables and vegetable products" means all raw edible
21 vegetables such as peas, beans, beets, sugar beets, and other
22 vegetables, and all processed products of vegetables, suitable and
23 designed for human consumption, while in the hands of the first
24 processor.

25 **Sec. 3.** RCW 84.36.805 and 1998 c 311 s 25, 1998 c 202 s 3, and
26 1998 c 184 s 2 are each reenacted and amended to read as follows:

27 (1) In order to (~~be exempt pursuant to RCW 84.36.030, 84.36.035,~~
28 ~~84.36.037, 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046,~~
29 ~~84.36.047, 84.36.050, 84.36.060, 84.36.350, 84.36.480, 84.36.550, and~~
30 ~~84.36.042)) qualify for an exemption under this chapter, the nonprofit~~
31 organizations, associations or corporations (~~shall~~) must satisfy the
32 (~~following~~) conditions(~~(*)~~) in this section.

33 (~~(1)~~) (2) The property (~~is~~) must be used exclusively for the
34 actual operation of the activity for which exemption is granted, unless
35 otherwise provided, and does not exceed an amount reasonably necessary
36 for that purpose, except:

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

1 (i) The rents and donations received for the use of the portion of
2 the property are reasonable and do not exceed the maintenance and
3 operation expenses attributable to the portion of the property loaned
4 or rented; and

5 (ii) Except for the exemptions under RCW 84.36.030(4) and
6 84.36.037, the property would be exempt from tax if owned by the
7 organization to which it is loaned or rented;

8 (b) The use of the property for fund-raising activities does not
9 subject the property to tax if the fund-raising activities are
10 consistent with the purposes for which the exemption is granted((+)).

11 ((+2)) (3) The property ((is)) must be irrevocably dedicated to
12 the purpose for which exemption has been granted, and on the
13 liquidation, dissolution, or abandonment by said organization,
14 association, or corporation, said property will not inure directly or
15 indirectly to the benefit of any shareholder or individual, except a
16 nonprofit organization, association, or corporation which too would be
17 entitled to property tax exemption. This property need not be
18 irrevocably dedicated if it is leased or rented to those qualified for
19 exemption ((pursuant to RCW 84.36.035, 84.36.040, 84.36.041, 84.36.043,
20 84.36.045, 84.36.046, or 84.36.042 or those qualified for exemption as
21 an association engaged in the production or performance of musical,
22 dance, artistic, dramatic, or literary works pursuant to RCW
23 84.36.060)) under this chapter for leased property, but only if under
24 the terms of the lease or rental agreement the nonprofit organization,
25 association, or corporation receives the benefit of the exemption((+)).

26 ((+3)) (4) The facilities and services ((are)) must be available
27 to all regardless of race, color, national origin or ancestry((+)).

28 ((+4)) (5) The organization, association, or corporation ((is))
29 must be duly licensed or certified where such licensing or
30 certification is required by law or regulation((+)).

31 ((+5)) (6) Property sold to organizations, associations, or
32 corporations with an option to be repurchased by the seller shall not
33 qualify for exempt status((+)).

34 ((+6)) (7) The ((director of the)) department ((of revenue)) shall
35 have access to its books in order to determine whether ((such)) the
36 nonprofit organization, association, or corporation is exempt from
37 ((taxes within the intent of RCW 84.36.030, 84.36.035, 84.36.037,
38 84.36.040, 84.36.041, 84.36.043, 84.36.045, 84.36.046, 84.36.047,

1 ~~84.36.050, 84.36.060, 84.36.350, 84.36.480, and 84.36.042~~) taxes under
2 this chapter.

3 (8) This section does not apply to exemptions granted under RCW
4 84.36.020, 84.36.032, 84.36.250, and 84.36.260.

5 **Sec. 4.** RCW 84.36.810 and 1998 c 311 s 26 and 1998 c 202 s 4 are
6 each reenacted and amended to read as follows:

7 (1) Upon cessation of a use under which an exemption has been
8 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
9 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, and 84.36.550(~~(~~
10 ~~and 84.36.042~~)), the county treasurer shall collect all taxes which
11 would have been paid had the property not been exempt during the three
12 years preceding, or the life of such exemption, if such be less,
13 together with the interest at the same rate and computed in the same
14 way as that upon delinquent property taxes. (~~Where~~) When the
15 property has been granted an exemption for more than ten consecutive
16 years, taxes and interest shall not be assessed under this section.

17 (2) Subsection (1) of this section applies only when ownership of
18 the property is transferred or when fifty-one percent or more of the
19 area of the property (~~has lost~~) loses its exempt status. The
20 additional tax under subsection (1) of this section shall not be
21 imposed if the cessation of use resulted solely from:

22 (a) Transfer to a nonprofit organization, association, or
23 corporation for a use which also qualifies and is granted exemption
24 under (~~the provisions of~~) this chapter (~~(84.36-RCW)~~);

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

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

31 (d) A natural disaster such as a flood, windstorm, earthquake, or
32 other such calamity rather than by virtue of the act of the
33 organization, association, or corporation changing the use of such
34 property;

35 (e) Relocation of the activity and use of another location or site
36 except for undeveloped properties of camp facilities exempted under RCW
37 84.36.030;

1 (f) Cancellation of a lease on leased property that had been exempt
2 under ((RCW 84.36.040, 84.36.041, 84.36.043, 84.36.046, 84.36.060, or
3 84.36.042)) this chapter; or

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

6 (h) ~~The conversion of a full exemption of a home for the aging to
7 a partial exemption or taxable status or the conversion of a partial
8 exemption to taxable status under RCW 84.36.041(8))~~)).

9 **Sec. 5.** RCW 84.40.405 and 1985 c 7 s 156 are each amended to read
10 as follows:

11 The department of revenue shall promulgate such rules and
12 regulations, and prescribe such procedures as it deems necessary to
13 carry out RCW ((82.04.444, 82.04.445,)) 84.36.470((, 84.36.473,
14 84.36.475,)) and 84.36.477((, 84.09.080, and 84.52.015, and this
15 section)).

16 NEW SECTION. **Sec. 6.** The following acts or parts of acts are each
17 repealed:

18 (1) RCW 84.36.140 and 1972 ex.s. c 30 s 2 & 1961 c 15 s 84.36.140;

19 (2) RCW 84.36.150 and 1967 ex.s. c 149 s 32 & 1961 c 15 s
20 84.36.150;

21 (3) RCW 84.36.160 and 1972 ex.s. c 30 s 1, 1971 ex.s. c 137 s 1, &
22 1961 c 15 s 84.36.160;

23 (4) RCW 84.36.161 and 1998 c 311 s 21 & 1961 c 15 s 84.36.161;

24 (5) RCW 84.36.162 and 1961 c 15 s 84.36.162;

25 (6) RCW 84.36.176 and 1967 ex.s. c 149 s 34;

26 (7) RCW 84.36.181 and 1961 c 168 s 2;

27 (8) RCW 84.36.190 and 1961 c 15 s 84.36.190;

28 (9) RCW 84.36.191 and 1961 c 15 s 84.36.191;

29 (10) RCW 84.36.270 and 1973 1st ex.s. c 195 s 95 & 1967 ex.s. c 117
30 s 1;

31 (11) RCW 84.36.280 and 1967 ex.s. c 117 s 2;

32 (12) RCW 84.36.290 and 1967 ex.s. c 117 s 3; and

33 (13) RCW 84.36.473 and 1998 c 311 s 23, 1983 1st ex.s. c 62 s 2,
34 1982 c 174 s 1, 1975 1st ex.s. c 291 s 8, & 1974 ex.s. c 169 s 4.

35 NEW SECTION. **Sec. 7.** The repeals in section 6 of this act do not
36 affect any existing right acquired or liability or obligation incurred

1 under the sections repealed or under any rule or order adopted under
2 those sections, nor do they affect any proceeding instituted under
3 those sections."

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7 On page 1, line 1 of the title, after "statutes;" strike the
8 remainder of the title and insert "amending RCW 84.36.477 and
9 84.40.405; reenacting and amending RCW 84.36.805 and 84.36.810;
10 creating new sections; and repealing RCW 84.36.140, 84.36.150,
11 84.36.160, 84.36.161, 84.36.162, 84.36.176, 84.36.181, 84.36.190,
12 84.36.191, 84.36.270, 84.36.280, 84.36.290, and 84.36.473."

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