
**Trade & Economic Development
Committee**

HB 2783

Brief Description: Providing a property tax exemption for nonprofits that assist small businesses.

Sponsors: Representatives Pettigrew, Skinner, O'Brien, Jarrett, Sullivan, Priest, Hunt, Cooper, Conway, Cairnes, Eickmeyer, Kirby, Simpson, G., Ruderman, Schual-Berke, Chase, Lantz, Kenney, Morrell, Wood and Murray.

Brief Summary of Bill

- Provides a property exemption for real and personal property used by a qualified nonprofit organization if the property is used to assist startup and expanding businesses.

Hearing Date: 1/29/04

Staff: Tracey Taylor (786-7196).

Background:

Property taxes apply to the assessed value of all taxable property, which includes all real and personal property located within the state, unless specifically exempted. Real property includes land, structures and certain equipment that is affixed to the structure. The assessed value of real property is determined by the county assessor. Personal property includes machinery, supplies, certain utility property and items which are generally moveable. Owners of personal property list the items, their acquisition cost and the year acquired with the county assessor each year. The assessor then determines the current assessed value.

Property tax rates consist of the annual levy rates applied to the assessed value of taxable property by the various taxing districts, including the state and various local jurisdictions which have levy authority under state law. As of 2002, there were 1,743 taxing districts throughout the state. A taxing district's rate must be applied uniformly throughout the district. However, because many of the jurisdictions overlap, there are about 3,225 code areas in which a particular combination of levy rates may apply.

There are exemptions to property tax allowed. They include publicly owned property, property owned by nonprofit organizations, household goods and personal effects.

Summary of Bill:

A tax exemption is provided for real and personal property owned or used by a qualified nonprofit organization, if the property is used to assist startup and expanding businesses by providing education, training and employment of economically disadvantaged people. The property is also exempt if the nonprofit organization uses it to provide the shared use of equipment and work areas as well as the daily technical resources that enable entrepreneurs to transform private activities into successful businesses.

The qualified nonprofit organization must be organized and conducted for nonsectarian purposes and be qualified for exemption under section 501(c)(3) of the federal internal revenue code. The nonprofit must also be governed by a board of directors consisting of at least five members.

If the property ceases to be used by the nonprofit for the assistance of startup and expanding businesses, the county treasurer is authorized to collect all taxes which would have been paid had the property not been exempt during the previous three years or the life of the exemption if less, plus the interest calculated based on the delinquent property tax rate.

The tax exemption will be applied to taxes levied for collection in 2005.

Appropriation: None.

Fiscal Note: Requested on January 21, 2004.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.