

# SENATE BILL REPORT

## SB 5078

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As of January 28, 2013

**Title:** An act relating to modifying the property tax exemption for nonprofit fairs.

**Brief Description:** Modifying the property tax exemption for nonprofit fairs.

**Sponsors:** Senators Ericksen, Smith, Hatfield, Baumgartner, Chase and Shin.

**Brief History:**

**Committee Activity:** Agriculture, Water & Rural Economic Development: 1/28/13.

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### SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

**Staff:** Diane Smith (786-7410)

**Background:** Agricultural fairs are divided into four categories. Area fairs are organized to serve an area larger than one county. County and district fairs are organized to serve single counties and are under the direct control of county commissioners. Community fairs are organized primarily to serve a smaller area than an area or county fair. Youth shows and fairs serve three or more counties, educate and train rural youth, and are approved by Washington State University or the Office of the Superintendent of Public Instruction. According to the Washington State Department of Agriculture, there are 33 county fairs, four area fairs, 17 community fairs, and 12 youth fairs.

In holding with agricultural fairs being declared in the public interest, these fairs may receive allocations from the fair fund. The fair fund, in the custody of the state treasury, receives money from the state general fund and from the horseracing commission, if any surplus remains at the close of the fiscal biennium after all commission expenses are paid.

Counties have the authority to designate a nonprofit corporation as the exclusive agency to operate and manage fairs and to provide a revolving fund to be used by fair officials for the conduct of the fair.

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Real and personal property of a nonprofit fair association that sponsors or conducts a county fair is exempt from property tax. The property must be used exclusively for fair purposes. Loan or rental of the property to other property

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tax exempt organizations or to fair concessionaires does not nullify the exemption if the rental income is reasonable and is solely devoted to maintenance of the property.

**Summary of Bill:** The authority of nonprofit fair associations to receive funds from the horse racing commission is deleted. All restrictions on the use, rental, or loan of the associations' real and personal property to qualify for the exemption are deleted.

Except for nonprofit fair associations having property valued at more than \$50 million, the real and personal property of a nonprofit fair association that receives support from the fair fund is exempt from taxation.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill will help keep fairs operating so that they can continue to perform their vital function of preparing kids for the future. Fairs are an important and traditional part of the 4-H experience for kids. It eliminates the disparity in property tax treatment between county fairs and nonprofit fair associations. These properties, having never been on the property tax roles, will not ensue any adverse tax consequence. There is a trend of cash-strapped counties defunding fairs and transitioning to nonprofit fair associations to keep the fairs running, along with the rental availability of their often unique buildings for community functions.

**Persons Testifying:** PRO: Senator Ericksen, prime sponsor; Jim Baron, NW WA Fair Assn.; Heather Hansen, WA State Fairs Assn.