

# SENATE BILL REPORT

## SB 6405

---

---

As Passed Senate, February 12, 2014

**Title:** An act relating to providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status.

**Brief Description:** Providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status.

**Sponsors:** Senators Baumgartner, Padden, Hargrove and Cleveland; by request of Department of Revenue.

**Brief History:**

**Committee Activity:** Ways & Means: 2/03/14, 2/05/14 [DP].  
Passed Senate: 2/12/14, 48-0.

---

### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Schoesler and Tom.

**Staff:** Juliana Roe (786-7438)

**Background:** All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Several property tax exemptions exist for property owned by churches and various nonprofit organizations, including schools, camps, veteran organizations, blood and tissue banks, public assembly halls, ecological education, and conservation organizations. On a limited basis, nonexempt activity is allowed on tax-exempt property of nonprofit organizations. The nonexempt activities permitted and conditions under which they are allowed vary among nonprofit organizations.

**Summary of Bill:** Standardized criteria are established regarding the nonexempt use of tax-exempt property owned by nonprofit organizations.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In order to qualify for the tax exemption, nonprofit organizations must satisfy the following conditions: (1) rent and donations received from the use of the property are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; (2) fundraising events are permitted if they are consistent with the purpose of the exempt organization; (3) exempt property may be used for nonexempt purposes for not more than 50 days within a calendar year; and (4) exempt property may be used for pecuniary gain or to promote business activities for no more than 15 days per calendar year. Activities related to farmers markets on exempt church property may occur no more than 53 days within each assessment year.

If these conditions are violated, the exemption is removed for the affected portion of property for that assessment year.

**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 is a bill that was well worked. Everyone worked together to create a bill that is good for nonprofits and the community. This bill arose out of an issue from last year regarding the sausage festival. Everyone worked together to solve this issue. We wanted to create a standard and maintain a general exemption that applies equally across the board. Some nonprofits could already use the 15-day limit and others could not. This bill expands the 15-day for-profit use to all nonprofits. It is a reasonable approach to this issue.

**Persons Testifying:** PRO: Senator Padden; Drew Shirk, Dept. of Revenue; Donna Christensen, citizen.