

# SENATE BILL REPORT

## HB 1905

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As Reported By Senate Committee On:  
Ways & Means, April 7, 2003

**Title:** An act relating to the property taxation of organizations operated exclusively for art, scientific, or historical purposes or engaged in the production and performance of musical, dance, artistic, dramatic, or literary works.

**Brief Description:** Providing a limited property tax exemption for the use of facilities by artistic, scientific, and historical organizations.

**Sponsors:** Representatives Gombosky, Buck, Lantz, Tom, Pettigrew, Rockefeller, Skinner, Fromhold, Benson, Kagi, Kessler, Clibborn, Nixon, Kenney, Moeller, Conway, Hudgins, Santos and McDermott.

**Brief History:**

**Committee Activity:** Ways & Means: 4/7/03 [DPA].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Doumit, Fraser, Hale, Honeyford, Johnson, Parlette, Regala, Roach, Sheahan, B. Sheldon and Winsley.

**Staff:** Terry Wilson (786-7433)

**Background:** All property in this state is subject to the property tax each year based on the property's value, unless a specific exemption is provided by law.

Several property tax exemptions exist for nonprofit organizations. Examples of nonprofit property tax exemptions are: character building, benevolent, protective or rehabilitative social service organizations; churches and church camps; youth character building organizations; war veterans organizations; national and international relief organizations; federal guaranteed student loan organizations; blood, bone and tissue banks; public assembly halls; medical research or training facilities; art, scientific, and historical collections; sheltered workshops; fair associations; humane societies; water distribution property; schools and colleges; radio/television rebroadcast facilities; fire companies; day-care centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; performing arts facilities; and homeless shelters.

Property tax exempt property must be used exclusively for the actual operation of the activity for which exemption was granted. The property may be loaned or rented if (a) the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses, and (b) except for public assembly halls and war veterans organizations, the organization renting the property would be exempt from tax if it owned the property.

Public assembly halls and war veterans organizations may rent their exempt facilities to businesses for a limited period. In the case of war veterans organizations, their facilities may be rented to a profit-making business for three days a year. Public assembly halls may be rented to a profit-making business for up to seven days a year and, if located in a county with less than 10,000 population, may rent the property for dance lessons; art classes; and music lessons.

**Summary of Amended Bill:** Nonprofit associations engaged in the production and performance of musical, dance, artistic, dramatic, or literary works for the benefit of the general public may rent their facilities to entities not eligible for a property tax exemption up to 15 days a year if the property is used for the production and performance of musical, dance, artistic, dramatic, or literary works or for community gatherings or assembly, or meetings. The property may be used by the lessee for pecuniary gain or to promote business activities seven of the 15 days.

**Amended Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This extends the property tax exemption. These organizations need to rent out their facilities to supplement their income. Many performing arts facilities were originally classified as public assembly halls and could rent out their facilities; but now that they have been reclassified, they cannot. These organizations are not trying to compete with for-profit convention and meeting facilities. This is a small portion of their revenue, but it has a huge impact on the arts. The bill should allow 45 days because it sometimes takes a day to set up and a day to tear down and clean up.

**Testimony Against:** None.

**Testified:** PRO: Representative Gombosky, prime sponsor; Senator Brandland; Steve Larian, Jim Pearman, Kirkland Performance Center; Brad Burdick, Mount Baker Theatre; Mark Hugh, Clark Nuber; Kris Tucker, WA State Arts Commission.