
SUBSTITUTE HOUSE BILL 1802

State of Washington

59th Legislature

2005 Regular Session

By House Committee on Economic Development, Agriculture & Trade (originally sponsored by Representatives Kilmer, Walsh, Pettigrew, Strow, Wallace, Kenney, Clibborn, Hankins, McCoy, Haler, Blake, McCune, Linville, P. Sullivan, Grant, Kessler, Simpson, Morrell, Williams, O'Brien, Lantz, Eickmeyer, Chase, Haigh, Hasegawa, Hudgins and Moeller)

READ FIRST TIME 03/04/05.

1 AN ACT Relating to property tax exemptions for nonprofit
2 organizations for small business incubators which assist in the
3 creation and expansion of innovative small commercial enterprises;
4 amending RCW 84.36.810; adding new sections to chapter 84.36 RCW; and
5 creating new sections.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The legislature finds that nonprofit
8 organizations and associations engaged in the education and training of
9 people, located in economically disadvantaged areas, who are involved
10 in the creation and expansion of businesses with marketable products
11 and services in a physical location provide many public benefits to the
12 people of the state of Washington. Therefore, the legislature finds
13 that it is in the best interest of the state of Washington to provide
14 a limited property tax exemption for the use of these facilities by
15 certain organizations in order to be self-sustaining for their exempt
16 purposes.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
18 to read as follows:

1 (1) The real and personal property owned or used by a nonprofit
2 organization is exempt from property taxes levied for any state purpose
3 if the property is:

4 (a) Located in an economically distressed area; and

5 (b) Used to provide shared use of equipment and work areas and
6 daily technical resources and daily management support services that
7 enable small startup and emerging businesses to become successful.

8 (2) The organization or association must meet all of the additional
9 following conditions:

10 (a) The organization is organized and conducted for nonsectarian
11 purposes.

12 (b) The organization is qualified for exemption under section
13 501(c)(3) of the federal internal revenue code.

14 (c) The organization is governed by a volunteer board of directors
15 of at least five members.

16 (3) In 2010, any nonprofit organization claiming the exemption
17 under subsection (1) of this section must report to the department the
18 number of businesses served by the nonprofit and the types of services
19 provided. Nonprofits failing to report to the department are
20 ineligible for the exemption under subsection (1) of this section. The
21 department shall compile the information and share it with the
22 appropriate committees of the legislature.

23 (4) For the purposes of this section, the following definitions
24 apply:

25 (a) "Economically distressed area" means a rural county as defined
26 in RCW 82.14.370, a county with a community empowerment zone under RCW
27 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

28 (b) "Emerging business" means a business: (i) That is engaged in
29 activities related to the development of initial product or service
30 offerings, such as prototype development or establishment of initial
31 production or services processes; (ii) which is less than five years
32 old and during the previous fiscal year had gross revenues of no more
33 than two million dollars; or (iii) that is in a growth mode, expanding
34 its operation or its market.

35 (c) "Start-up business" means a formal business venture that: (i)
36 Is involved in activities related to the development of initial product
37 or service offerings, such as prototype development or establishment of

1 initial production or services processes; (ii) is less than three years
2 old and during the previous fiscal year, had gross revenues of no more
3 than two million dollars; and (iii) has fewer than twenty employees.

4 (5) The exemption expires in 2015.

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.36 RCW
6 to read as follows:

7 The levy for the state in any year shall be reduced as necessary to
8 prevent exemptions under section 2 of this act resulting in a higher
9 tax rate than would have occurred in the absence of the exemptions in
10 section 2 of this act.

11 **Sec. 4.** RCW 84.36.810 and 2003 c 344 s 2 are each amended to read
12 as follows:

13 (1)(a) Upon cessation of a use under which an exemption has been
14 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
15 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,
16 84.36.650, 84.36.560, (~~and~~) 84.36.570, and section 2 of this act,
17 except as provided in (b) of this subsection, the county treasurer
18 shall collect all taxes which would have been paid had the property not
19 been exempt during the three years preceding, or the life of such
20 exemption, if such be less, together with the interest at the same rate
21 and computed in the same way as that upon delinquent property taxes.
22 If the property has been granted an exemption for more than ten
23 consecutive years, taxes and interest shall not be assessed under this
24 section.

25 (b) Upon cessation of use by an institution of higher education of
26 property exempt under RCW 84.36.050(2) the county treasurer shall
27 collect all taxes which would have been paid had the property not been
28 exempt during the seven years preceding, or the life of the exemption,
29 whichever is less.

30 (2) Subsection (1) of this section applies only when ownership of
31 the property is transferred or when fifty-one percent or more of the
32 area of the property loses its exempt status. The additional tax under
33 subsection (1) of this section shall not be imposed if the cessation of
34 use resulted solely from:

35 (a) Transfer to a nonprofit organization, association, or

1 corporation for a use which also qualifies and is granted exemption
2 under this chapter;

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

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

9 (d) A natural disaster such as a flood, windstorm, earthquake, or
10 other such calamity rather than by virtue of the act of the
11 organization, association, or corporation changing the use of such
12 property;

13 (e) Relocation of the activity and use of another location or site
14 except for undeveloped properties of camp facilities exempted under RCW
15 84.36.030;

16 (f) Cancellation of a lease on leased property that had been exempt
17 under this chapter; or

18 (g) A change in the exempt portion of a home for the aging under
19 RCW 84.36.041(3), as long as some portion of the home remains exempt.

20 (3) Subsections (2)(e) and (f) of this section do not apply to
21 property leased to a state institution of higher education and exempt
22 under RCW 84.36.050(2).

23 NEW SECTION. **Sec. 5.** This act applies to taxes levied for
24 collection in 2006 and thereafter.

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