

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1510

Chapter 305, Laws of 2006

59th Legislature
2006 Regular Session

PROPERTY TAX EXEMPTION--NONPROFIT ENTITIES

EFFECTIVE DATE: 6/7/06

Passed by the House March 4, 2006
Yeas 95 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 2, 2006
Yeas 47 Nays 0

BRAD OWEN

President of the Senate

Approved March 29, 2006.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1510** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

March 29, 2006 - 3:54 p.m.

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1510

AS AMENDED BY THE SENATE

Passed Legislature - 2006 Regular Session

State of Washington 59th Legislature 2006 Regular Session

By House Committee on Finance (originally sponsored by
Representatives Morris, Quall, B. Sullivan and Chase)

READ FIRST TIME 03/07/05.

1 AN ACT Relating to the property taxation of nonprofit entities;
2 amending RCW 84.36.030, 84.36.031, and 84.36.810; and reenacting and
3 amending RCW 84.36.037.

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

5 **Sec. 1.** RCW 84.36.030 and 1993 c 327 s 2 are each amended to read
6 as follows:

7 The following real and personal property shall be exempt from
8 taxation:

9 (1)(a) Property owned by nonprofit organizations or associations,
10 organized and conducted for nonsectarian purposes, which shall be used
11 for character-building, benevolent, protective or rehabilitative social
12 services directed at persons of all ages.

13 (b) The sale of donated merchandise shall not be considered a
14 commercial use of the property under this section if the proceeds are
15 devoted to the furtherance of the purposes of the selling organization
16 or association as specified in this ((paragraph)) subsection (1).

17 (c) In a county with a population of less than twenty thousand, the
18 rental or use of property, owned by a nonprofit organization or

1 association described in (a) of this subsection, by a person, group, or
2 organization in one of the following ways shall not nullify the
3 exemption:

4 (i) The property may be rented or used for pecuniary gain or for
5 business activities or by individuals, groups, and organizations for
6 private purposes if the rental or use:

7 (A) Does not exceed fifteen days each assessment year;

8 (B) No comparable private for-profit facility exists within ten
9 miles of the property that could be used for the same purpose for which
10 the property is loaned or rented; and

11 (C) All income from the rental or use of the exempt property is
12 used for capital improvements to the exempt property, maintenance and
13 operation of the exempt property, or for exempt purposes; or

14 (ii) The property is rented or used by a nonprofit community group
15 or other nonprofit organization that might not qualify for exemption if
16 it owned the property as long as the rental or use of the property:

17 (A) Does not exceed fifteen days each assessment year;

18 (B) Does not result in pecuniary gain;

19 (C) Does not involve business activities;

20 (D) Is always for the general public good; and

21 (E) All income from the rental or use of the exempt property is
22 used for capital improvements to the exempt property, maintenance and
23 operation of the exempt property, or for exempt purposes.

24 (2) Property owned by any nonprofit church, denomination, group of
25 churches, or an organization or association, the membership of which is
26 comprised solely of churches or their qualified representatives, which
27 is utilized as a camp facility if used for organized and supervised
28 recreational activities and church purposes as related to such camp
29 facilities. The exemption provided by this paragraph shall apply to a
30 maximum of two hundred acres of any such camp as selected by the
31 church, including buildings and other improvements thereon.

32 (3) Property, including buildings and improvements required for the
33 maintenance and safeguarding of such property, owned by nonprofit
34 organizations or associations engaged in character building of boys and
35 girls under eighteen years of age, and used for such purposes and uses,
36 provided such purposes and uses are for the general public good:
37 PROVIDED, That if existing charters provide that organizations or
38 associations, which would otherwise qualify under the provisions of

1 this paragraph, serve boys and girls up to the age of twenty-one years,
2 then such organizations or associations shall be deemed qualified
3 pursuant to this section.

4 (4)(a) Property owned by all organizations and societies of
5 veterans of any war of the United States, recognized as such by the
6 department of defense, which shall have national charters, and which
7 shall have for their general purposes and objects the preservation of
8 the memories and associations incident to their war service and the
9 consecration of the efforts of their members to mutual helpfulness and
10 to patriotic and community service to state and nation. To be exempt
11 such property must be used in such manner as may be reasonably
12 necessary to carry out the purposes and objects of such societies.

13 (b) The use of the property for pecuniary gain or (~~to promote~~)
14 for business activities, except as provided in this subsection (4),
15 nullifies the exemption otherwise available for the property for the
16 assessment year. The exemption is not nullified by:

17 (~~(a)~~) (i) The collection of rent or donations if the amount is
18 reasonable and does not exceed maintenance and operation expenses.

19 (~~(b)~~) (ii) Fund-raising activities conducted by a nonprofit
20 organization.

21 (~~(c)~~) (iii) The use of the property for pecuniary gain for
22 periods of not more than (~~three~~) fifteen days in a year.

23 (~~(d)~~) (c) An inadvertent use of the property in a manner
24 inconsistent with the purpose for which exemption is granted, if the
25 inadvertent use is not part of a pattern of use. A pattern of use is
26 presumed when an inadvertent use is repeated in the same assessment
27 year or in two or more successive assessment years.

28 (5) Property owned by all corporations, incorporated under any act
29 of congress, whose principal purposes are to furnish volunteer aid to
30 members of the armed forces of the United States and also to carry on
31 a system of national and international relief and to apply the same in
32 mitigating the sufferings caused by pestilence, famine, fire, floods,
33 and other national calamities and to devise and carry on measures for
34 preventing the same.

35 (6) Property owned by nonprofit organizations exempt from federal
36 income tax under section 501(c)(3) of the internal revenue code of
37 1954, as amended, that are guarantee agencies under the federal

1 guaranteed student loan program or that issue debt to provide or
2 acquire student loans.

3 (7) To be exempt under this section, the property must be used
4 exclusively for the purposes for which exemption is granted, except as
5 provided in RCW 84.36.805.

6 (8) For the purposes of this section, "general public good" means
7 members of the community derive a benefit from the rental or use of the
8 property by the nonprofit community group or organization.

9 **Sec. 2.** RCW 84.36.031 and 1969 c 137 s 2 are each amended to read
10 as follows:

11 Property leased, loaned, sold with the option to repurchase, or
12 otherwise made available to organizations (~~(as set out)~~) described in
13 RCW 84.36.030 above shall not be exempt from taxation(~~(~~PROVIDED,~~~~
14 ~~That property which~~)). However, property that is owned by an
15 organization (~~(as set out in)~~) exempt under RCW 84.36.030 may loan,
16 lease, or rent the property to another organization for the same
17 purpose as set out in RCW 84.36.030.

18 **Sec. 3.** RCW 84.36.037 and 1998 c 311 s 19 and 1998 c 189 s 1 are
19 each reenacted and amended to read as follows:

20 (1) Real or personal property owned by a nonprofit organization,
21 association, or corporation in connection with the operation of a
22 public assembly hall or meeting place is exempt from taxation. The
23 area exempt under this section includes the building or buildings, the
24 land under the buildings, and an additional area necessary for parking,
25 not exceeding a total of one acre. When property for which exemption
26 is sought is essentially unimproved except for restroom facilities and
27 structures and this property has been used primarily for annual
28 community celebration events for at least ten years, the exempt
29 property shall not exceed twenty-nine acres.

30 (2) To qualify for this exemption the property must be used
31 exclusively for public gatherings and be available to all organizations
32 or persons desiring to use the property, but the owner may impose
33 conditions and restrictions which are necessary for the safekeeping of
34 the property and promote the purposes of this exemption. Membership
35 shall not be a prerequisite for the use of the property.

1 (3) The use of the property for pecuniary gain or (~~to promote~~)
2 for business activities, except as provided in this section, nullifies
3 the exemption otherwise available for the property for the assessment
4 year. The exemption is not nullified by:

5 (a) The collection of rent or donations if (~~the amount is~~
6 ~~reasonable and does not exceed maintenance and operation expenses~~
7 ~~created by the user~~) all funds collected are used for capital
8 improvements to the exempt property, maintenance and operation of the
9 exempt property, or for exempt purposes.

10 (b) Fund-raising activities conducted by a nonprofit organization.

11 (c) The use of the property for pecuniary gain (~~or to promote~~),
12 for business activities for periods of not more than (~~seven~~) fifteen
13 days (~~in a~~) each assessment year so long as all income received from
14 rental or use of the exempt property is used for capital improvements
15 to the exempt property, maintenance and operation of the exempt
16 property, or for exempt purposes.

17 (d) In a county with a population of less than (~~ten~~) twenty
18 thousand, the use of the property to promote the following business
19 activities: Dance lessons, art classes, or music lessons.

20 (e) An inadvertent use of the property in a manner inconsistent
21 with the purpose for which exemption is granted, if the inadvertent use
22 is not part of a pattern of use. A pattern of use is presumed when an
23 inadvertent use is repeated in the same assessment year or in two or
24 more successive assessment years.

25 (4) The department of revenue shall narrowly construe this
26 exemption.

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

29 (1)(a) Upon cessation of a use under which an exemption has been
30 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
31 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,
32 (~~84.36.650,~~) 84.36.560, (~~and~~) 84.36.570, and 84.36.650, except as
33 provided in (b) of this subsection, the county treasurer shall collect
34 all taxes which would have been paid had the property not been exempt
35 during the three years preceding, or the life of such exemption, if
36 such be less, together with the interest at the same rate and computed

1 in the same way as that upon delinquent property taxes. If the
2 property has been granted an exemption for more than ten consecutive
3 years, taxes and interest shall not be assessed under this section.

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

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

14 (a) Transfer to a nonprofit organization, association, or
15 corporation for a use which also qualifies and is granted exemption
16 under this chapter;

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

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

23 (d) A natural disaster such as a flood, windstorm, earthquake, or
24 other such calamity rather than by virtue of the act of the
25 organization, association, or corporation changing the use of such
26 property;

27 (e) Relocation of the activity and use of another location or site
28 except for undeveloped properties of camp facilities exempted under RCW
29 84.36.030;

30 (f) Cancellation of a lease on leased property that had been exempt
31 under this chapter; (~~or~~)

32 (g) A change in the exempt portion of a home for the aging under
33 RCW 84.36.041(3), as long as some portion of the home remains exempt;
34 or

35 (h) Transfer to an agency of the state of Washington or the city or
36 county within which the property is located.

37 (3) Subsection(~~s~~) (2)(e) and (f) of this section do not apply to

1 property leased to a state institution of higher education and exempt
2 under RCW 84.36.050(2).

Passed by the House March 4, 2006.

Passed by the Senate March 2, 2006.

Approved by the Governor March 29, 2006.

Filed in Office of Secretary of State March 29, 2006.