

HOUSE BILL REPORT

HB 2901

As Passed House:

February 18, 2008

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: By Representatives Springer, Orcutt, Ormsby, Wallace, Sells, Roberts, Kelley, Santos and Goodman.

Brief History:

Committee Activity:

Finance: 1/30/08, 2/12/08 [DP].

Floor Activity:

Passed House: 2/18/08, 95-0.

Brief Summary of Bill

- Increases the number of days that nonprofit art, scientific and historical collections, and performing arts organizations may rent their tax exempt property to nonexempt users from 25 days to 50 days a year.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Don Taylor (786-7150).

Background:

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

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.

Several property tax exemptions exist for non-profit organizations. Examples of non-profit 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 company property; daycare centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; day care centers; performing arts properties; homeless shelters; and blood banks.

Property tax exempt property must be used exclusively for the actual operation of the activity for which the exemption was granted. Generally 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) the organization renting the property would be exempt from tax if it owned the property.

Exemptions for renting the property to nonexempt organizations is provided for public assembly halls (use for pecuniary gain limited to 15 days a year); war veterans organizations (use for pecuniary gain limited to 15 days a year); character building, benevolent, protective or rehabilitative social service organizations (all non-exempt users limited to 15 days for organizations located in counties with population less than 20,000); schools and colleges (use for pecuniary gain limited to seven days a year); scientific and historical collections and performing arts properties (all non-exempt users limited to 25 days of which seven can be for pecuniary gain).

To qualify for the exception, scientific and historical collections, and performing arts properties must be rented for: artistic, scientific, or historic purposes; the production and performance of musical, dance, artistic, dramatic, or literary works; community gatherings or assembly; or meetings.

Summary of Bill:

Nonprofit associations that maintain and exhibit historical, scientific, or artistic collections and performing arts associations may retain their property tax exemption when they allow another organization that does not qualify for the property tax exemption to use or rent their exempt property. The number of days that property may be used for these purposes is increased from 25 to 50 days per year. The number of days the property may be used for profit-making business activities is increased from seven days to 15 days.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Most nonprofit arts organizations, museums, etcetera, have very limited resources. They would like to be able to derive some revenue from rental of their facilities to reduce the necessity to engage in continual fund-raising activities. However, they often are restricted by the current seven day limit on use of facilities for business activities or the 25 day overall restriction on rental of the parcel.

This bill benefits facilities throughout the state. Often there are no alternative facilities in the area which could accommodate service clubs, music and dance recitals, pre-school graduations, wedding receptions, concerts, business and financial seminars, and similar uses. One example is a Lions Club which meets approximately 22 times annually; their use of a rented facility nearly exhausts the permitted use of the facility for the year. In another example, the director of a performing arts facility must often deny use of the facility by other groups, some of whom were even original supporters and contributors to the construction of the facility.

Extension of the allowable use of property owned by nonprofit organizations by other groups will not cost the state or local taxing districts any revenues but will result in better utilization of facilities.

(Opposed) None.

Persons Testifying: Representative Springer, prime sponsor; and Steve Lerian, Kirkland Performance Center.

Persons Signed In To Testify But Not Testifying: None.