
Finance Committee

HB 2402

Brief Description: Concerning a property tax exemption for property owned by a nonprofit organization and used for the purpose of a farmers market.

Sponsors: Representatives White, Rolfes, Armstrong, Haler, Nelson, Roberts, Maxwell, Dickerson, Crouse, Jacks, Walsh, Wallace, Sells, Ormsby, Kenney, Williams, Blake, Chase, Morris, Campbell, Appleton, Carlyle, Conway, Bailey, Hope and Haigh.

Brief Summary of Bill

- Exempts from property tax the real and personal property owned by a nonprofit entity that is used for the purpose of a farmers market.

Hearing Date: 1/15/10

Staff: Susan Howson (786-7142).

Background:

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

Nonprofit public assembly halls or meeting places are exempt from property taxes. To qualify for the exemption the property must be used for public gatherings and be available to all organizations or persons desiring to use the property.

Generally, the property cannot be rented out for a business purpose (pecuniary gain) except for no more than 15 days each year. The collection of rent, donations, or income received from the use of the property for pecuniary gain must be used for capital improvements of the exempt property, maintenance and operations, or exempt purposes. The tax exempt status of the property is not affected by use of the property for fundraising activities conducted by a nonprofit organization.

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.

Current law defines "qualifying farmers market" for the purpose of the sale of wine manufactured in Washington and sold at farmers markets.

Summary of Bill:

The real and personal property of nonprofit organizations that is used for the purpose of a farmers market is exempt from property tax.

Use of the property for a qualifying farmers market does not count against the 15 day pecuniary gain limit. All income received from rental or use of the property must be used for capital improvements to the exempt property, maintenance and operations, or exempt purposes.

A "qualifying farmers market" is the same as defined in current law for domestic wine sales at farmers markets. A qualifying farmers market is an entity that sponsors a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural products grown or produced in Washington directly to the consumer. Several minimum requirements must be met including: 1) at least five participating vendors are farmers selling their own agricultural products; 2) the total combined gross annual sales of vendors who are farmers must exceed the total combined gross annual sales of vendors who are processors or resellers; 3) the total combined gross annual sales of vendors who are farmers, processors, or resellers must exceed the total combined gross annual sales of vendors who are not farmers, processors, or resellers; 4) the sale of imported items and secondhand items by any vendor is prohibited; and 5) no vendor is a franchisee.

The tax exemption applies to taxes levied for collection beginning in 2011 and thereafter.

Appropriation: None.

Fiscal Note: Requested.

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