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## Finance Committee

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### HB 2564

**Brief Description:** Concerning the property tax exemption for public burying grounds and cemeteries.

**Sponsors:** Representatives Manweller, Vick and Gregerson.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Modifies the property tax exemption for property used as a public burying ground or cemetery.</li></ul>
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**Hearing Date:** 1/26/16

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. Several property tax exemptions exist for property owned by churches, and a variety of other nonprofit organizations, including schools, camps, veteran organizations, blood and tissues banks, public assembly halls, ecological education, and conservation organizations. On a limited basis, nonexempt activity is allowed on tax exempt property of nonprofit organizations. The nonexempt activities permitted and conditions under which these nonexempt activities are allowed vary among nonprofit organizations.

In 2014, SB 6405 established standardized criteria regarding the nonexempt use of tax-exempt property owned by nonprofit organizations. In order to qualify for the tax exemption, nonprofit organizations must satisfy the following conditions: (1) rent and donations received from the use of the property is reasonable and does not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented; (2) fundraising events are permitted if they are consistent with the purpose of the exempt organization; (3) exempt property may be used for nonexempt purposes for no more than 50 days within a calendar year; and (4) exempt

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property may be used for pecuniary gain or to promote business activities for no more than 15 days in a calendar year. Activities related to farmers' markets on exempt church property may occur no more than 53 days within each assessment year. If these conditions are violated, the exemption is removed for the affected portion of property for that assessment year.

A tax exemption for property used as a public burying ground or cemetery was not included in the provisions of SB 6405, which standardized criteria regarding the nonexempt use of tax-exempt property owned by nonprofit organizations. If all or a portion of property used as a cemetery or public burying ground is converted to some other use, taxes that would have been paid had the property not been exempt during the ten prior years, or the life of such exemption if less, is due and payable.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882 (ESSB 5882), which requires all new tax preference legislation to include a tax preference performance statement. New tax preference means a tax preference that initially takes effect after August 1, 2013, or a tax preference in effect as of August 1, 2013, that is expanded or extended after August 1, 2013. Tax preferences include deductions, exemptions, preferential tax rates and tax credits. The performance statement must clearly specify the public policy objective of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference.

ESSB 5882 also establishes an automatic 10-year expiration date for new tax preference if an alternative expiration date is not provided in the new tax preference legislation.

**Summary of Bill:**

The standardized criteria regarding the nonexempt use of tax-exempt property owned by a nonprofit organization is extended to property used as a public burying ground or cemetery.

Property used as a public burying ground or cemetery is no longer subject to ten years of back taxes if the property is converted to some other use.

The bill is exempted from a JLARC review and the automatic ten year expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

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