

SENATE BILL REPORT

SB 5708

As of February 12, 2015

Title: An act relating to the taxation of certain rented property owned by nonprofit fair associations.

Brief Description: Concerning the taxation of certain rented property owned by nonprofit fair associations.

Sponsors: Senators Ericksen, Bailey, Sheldon, Becker, Baumgartner, Brown, Pearson, Warnick and Padden.

Brief History:

Committee Activity: Agriculture, Water & Rural Economic Development: 2/12/15.

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Staff: Bonnie Kim (786-7316)

Background: Property Tax. All real and personal property in this state is subject to the property tax each year based on its value, unless a specific exemption is provided by law. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located. The county treasurer mails a notice of tax due to taxpayers and collects the tax.

Property Tax Exemption For Nonprofit Fair Associations. Generally, the real and personal property of a nonprofit fair association that sponsors or conducts a fair or fairs eligible to receive support from the fair fund and allocated by the director of the Department of Agriculture is exempt from property taxation. The property must be used exclusively for fair purposes.

Property Tax Exception. Property that would not otherwise qualify may be exempt from taxation if the nonprofit fair association had purchased or acquired the majority of such property between 1995 and 1998. This exception cannot be claimed after 2018.

Leasehold Interest. Leasehold interest means an interest in publicly owned real or personal property which exists by virtue of any lease, permit, license, or any other agreement, written or verbal, between the public owner of the property and a person who would not be exempt

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from property taxes if that person owned the property in fee, granting possession and use, to a degree less than fee-simple ownership.

Leasehold Excise Tax. A leasehold excise tax is levied on the act or privilege of occupying or using publicly owned real or personal property or real or personal property of a community center through a leasehold interest on and after January 1, 1976, at a rate of 12 percent of taxable rent. A tax credit is available against the county tax for the full amount of any city tax imposed on the same taxable event.

Summary of Bill: Property Tax Exception. The exception for property purchased or acquired by the nonprofit fair association from a county or a city between 1995 and 1998 does not expire after 2018. However, any rents or donations received for the use of a portion of the property must be reasonable and not exceed the maintenance and operation expenses of the property. If any portion of the property is knowingly rented for more than 50 days, the exemption still applies but the rental income is subject to leasehold excise tax.

Leasehold Interest. Leasehold interest also includes portions of property owned by a nonprofit fair association exempt from property tax but rented for periods of 50 days or more.

Leasehold Excise Tax. The leasehold excise tax applies only to the rental income of those occupying or using publicly owned real or personal property who are exempt from property taxation because they are a nonprofit fair association that purchased or acquired a majority of the property between 1995 and 1998. The rents or donations received for the use of a portion of the property must be reasonable and may not exceed the maintenance and operation expenses of the property. The rental income may be subject to leasehold excise tax even if portions of the property were knowingly rented for less than 50 days.

Effective Dates. The statutory amendments take effect August 1, 2015. However, the definition of leasehold interest is set to expire on January 1, 2022. The definition statute is reenacted as amended – with a few technical changes – effective January 1, 2022.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: A few years ago the Legislature enacted a fix to treat nonprofit fair associations the same as other fair associations. The intention of this bill is to remove expiration date of and the 50-day rental cap to qualify for the exemption. Many county-owned fairs have converted to nonprofit fair associations. This bill allows nonprofit fair associations to continue to operate under the same taxation rules as county-owned fairs.

Persons Testifying: PRO: Senator Ericksen, prime sponsor; Jim Baron, NW WA Fair.