
Finance Committee

HB 1967

Brief Description: Concerning property tax exemptions for nonprofits.

Sponsors: Representatives Steele, Riccelli, Berry, Lekanoff, Santos and Duerr.

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| <p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Allows public meeting halls and churches that are property tax exempt to conduct qualifying farmers markets without losing the property tax exemption. |
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Hearing Date: 1/27/22

Staff: Rachelle Harris (786-7137).

Background:

Property Tax Exemptions for Nonprofits.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Some nonprofits are eligible for a property tax exemption, which is dependent on specifically identified qualifying activities being conducted on the property. Examples of organizations that may receive a property tax exemption for their property are schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, performing arts facilities, and public meeting halls.

Nonprofit organizations seeking an exemption for their property based on qualifying activities may not use the exempt property for business purposes for more than 15 days each year. The nonprofit is also restricted to loaning or renting the property to individuals or organizations for non-exempt purposes for no more than 50 days per year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

For public meeting halls that are owned by a nonprofit to qualify for an exemption, the property must be used for public gatherings and be available to all organizations or individuals that desire to use the property. Membership may not be a prerequisite for the use of the property. The use of the property for business activities may disqualify the property for the exemption.

Churches are eligible for a property tax exemption if they conduct activities that are wholly used for church purposes and the land does not exceed five acres.

For property taxes levied for collection from 2011 through 2020, a provision existed to allow churches and public assembly halls to host farmers markets for an additional 53 days a year without losing a property tax exemption. That provision expired on December 31, 2020.

Tax Preference Performance Statements and Expiration.

Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Public meeting halls and churches owned by a nonprofit may use their exempted property to conduct a qualifying farmers market for more than 53 days each year. The rental income or donations, if any, must be reasonable and may not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented.

By December 31, 2022, the Department of Revenue must convene a work group to identify and categorize nonprofits in the state that do not benefit from the current structure of property tax exemptions for nonprofits and those that find the current structure administratively cumbersome. Findings must be reported back to the legislature by January 9, 2023.

The bill is exempt from a TPPS and does not expire.

Appropriation: None.

Fiscal Note: Requested on January 20, 2022.

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