

HOUSE BILL REPORT

HB 1094

As Reported by House Committee On:

Finance

Title: An act relating to providing a property tax exemption for property owned by a qualifying nonprofit organization and loaned, leased, or rented to and used by any government entity to provide character-building, benevolent, protective, or rehabilitative social services.

Brief Description: Providing a property tax exemption for property owned by a qualifying nonprofit organization and loaned, leased, or rented to and used by any government entity to provide character-building, benevolent, protective, or rehabilitative social services.

Sponsors: Representatives Walen, Ryu, Shavers, Lekanoff, Reeves and Donaghy.

Brief History:

Committee Activity:

Finance: 1/23/25, 2/6/25 [DP].

Brief Summary of Bill

- Exempts property owned by a nonsectarian nonprofit organization from property taxes if the organization loans, leases, or rents the property to any government entity, a federally recognized Indian tribe located in Washington, or another nonprofit organization using the property to provide character-building, benevolent, protective, or rehabilitative social services.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Berg, Chair; Mena, Parshley, Ramel, Santos, Scott, Springer, Walen and Wylie.

Minority Report: Without recommendation. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell,

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.

Chase and Penner.

Staff: Rachelle Harris (786-7137).

Background:

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. The annual growth of all regular property tax levy revenue is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

The state collects two regular property tax levies for common schools. The revenue growth limit applies to both levies.

The Washington Constitution also limits regular levies to a maximum of 1 percent of the property's value or \$10 per \$1,000 of assessed value. There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit.

Some real and personal property is specifically exempt from taxation, which is generally determined by the use of said property.

Property owned by a nonsectarian nonprofit organization that is used for character-building, benevolent, protective, or rehabilitative social services is exempt from property tax.

Summary of Bill:

Property owned by a nonsectarian nonprofit organization is exempt from property taxes if the organization loans, leases, or rents the property to any government entity, a federally recognized Indian tribe located in Washington, or another nonprofit organization using the property to provide character-building, benevolent, protective, or rehabilitative social services.

Appropriation: None.

Fiscal Note: Available.

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

bill is passed.

Staff Summary of Public Testimony:

(In support) Having services in one place is enormously helpful to avoid making people travel around to receive services. Under current law the nonprofit must own the property to get an exemption. Some of the organizations that provide social services lease their land to other nonprofits and government entities. This bill will allow the nonprofits to get the property tax exemption. The Together Center provides collaborative services to our community. It works in partnership with other nonprofits, government agencies, and schools to provide social services. This will help organizations bring more services and lower existing barriers to people seeking services. King County is facing a behavioral health crisis, and this is compounded by a lack of shelter and services. We must do everything we can to assist our most vulnerable communities. The existing property tax exemption is great, and this bill merely extends the exemption to organizations that lease their service-providing property. This bill will help improve financial viability of great service providers. Working towards transit and housing development in mixed-used areas is greatly assisted by the ability to own property, but property taxes can get in the way. This will support diversity in nonprofit ownership and operation. Housing stability, food security, environmental stewardship, and other programs that nonprofits work on to provide employment to about 10 percent of Washingtonians.

(Opposed) None.

(Other) Department of Revenue administers the exemption program and thinks this bill is administrable.

Persons Testifying: (In support) Representative Amy Walen, prime sponsor; Troy Christensen, PorchLight; Kim Sarnecki, Together Center; Debbie Lacy, Eastside For All; Melissa Stuart, Together Center; and Sarah Perry, King County Council.

(Other) Steve Ewing, Dept. of Revenue.

Persons Signed In To Testify But Not Testifying: None.