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## Finance Committee

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### SSB 5516

**Brief Description:** Modifying the property tax exemption for community centers.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Conway and Nobles).

**Brief Summary of Substitute Bill**

- Expands the property tax exemption for community centers to include surplus property and buildings of a nonprofit university acquired by a nonprofit organization.

**Hearing Date:** 3/21/25

**Staff:** Kristina King (786-7190).

**Background:**

Property Tax—Regular Levies.

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.

An additional amount is added on based on the increase in assessed value in a district from:

- new construction;
- construction of wind turbine, solar, biomass, and geothermal facilities;

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- improvements to property;
- state-assessed property; and
- real property within a local tax increment finance area designated by a local government, excluding the state school levies, or ports and public utility district bond 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. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities are collectively referred to as senior taxing districts. Junior taxing districts—a term that includes fire, hospital, flood control zones, and most other special purpose districts—each have specific rate limits as well.

#### Property Tax Exemption for Community Centers.

A community center owned by a nonprofit organization is exempt from property taxes for 40 years from the date the organization purchases the community center. A community center is property, including buildings, that a local school board determines is surplus to the school district and sells to a nonprofit organization for the purpose of converting it into community facilities to deliver nonresidential services to community members. The nonprofit organization may loan or rent the community center to businesses, groups, or individuals.

#### Property Tax Exemption for Nonprofit Universities.

Real and personal property used by private nonprofit colleges and universities for educational or cultural purposes are exempt from property tax. The exemption applies to buildings and grounds totaling up to 400 acres that are used for educational, athletic, or social programs and housing of students and faculty.

#### Tax Preference Performance Statement.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences. 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:**

The property tax exemption for community centers is expanded to include surplus property and

buildings of a nonprofit university acquired by a nonprofit organization for the purpose of converting the property into a community center. This expansion applies for property taxes due for calendar year 2026 through 2035 and an exemption from a TPPS and JLARC review is included.

**Appropriation:** None.

**Fiscal Note:** Available.

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