

SENATE BILL REPORT

SB 5516

As Reported by Senate Committee On:
Ways & Means, February 13, 2025

Title: An act relating to modifying the property tax exemption for community centers.

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

Sponsors: Senators Conway and Nobles.

Brief History:

Committee Activity: Ways & Means: 2/04/25, 2/13/25 [DPS, w/oRec].

Brief Summary of First 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.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5516 be substituted therefor, and the substitute bill do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Cleveland, Conway, Dhingra, Hansen, Kauffman, Muzzall, Pedersen, Riccelli, Saldaña, Wagoner, Warnick, Wellman and Wilson, C..

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Tianyi Lan (786-7432)

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.

Background: Property Tax Exemptions for Nonprofits. Real and personal property is subject to a tax each year based on its highest and best use, unless a specific exemption is provided by law. Nonprofit organizations, though exempt from federal taxes, are not generally exempt from property taxes in Washington. Organizations must exclusively use their property to conduct an activity specifically exempted by the Legislature to qualify. Schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, performing arts facilities, and public meeting halls are examples of organizations that may receive a property tax exemption.

Property Tax Exemption for Community Centers Purchased or Acquired by Nonprofits. Property tax does not apply, for 40 years, to surplus property and buildings of a school district acquired by a nonprofit organization that uses the property as a community center. After acquisition, the nonprofit organization must convert the property to community facilities for the delivery of nonresidential coordinated services for community members. The community center may make space available to businesses, individuals, or other parties through the loan or rental of space in or on the property.

Property Tax Exemption for Nonprofit Universities. Property taxes do not apply to real and personal property used by private, nonprofit colleges and universities for educational or cultural purposes. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement 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 ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

Summary of Bill (First Substitute): The bill expands the property tax exemption for community centers to include surplus property and buildings of a nonprofit university acquired by a nonprofit organization for the purpose of converting the property to a community center.

The expanded exemption applies for property taxes due for calendar year 2026 through 2035 and is not subject to JLARC review.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Clarifies that the expanded property tax exemption for community centers applies for tax collections from calendar year 2026 through 2035.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Many volunteers have been working together since 2022 to save the Parkland School. The school was acquired from Pacific Lutheran University by the Parkland Community Association (PCA) in May of 2024 and the building is currently being repurposed as Parkland Community Center to serve partners, family, and surrounding areas. It is currently occupied by a number of nonprofit organizations. The tax exemption would benefit the community center to support and celebrate the community.

This is not going to impact state revenue. In this case, the property has not been on the tax roll since 1908. It will have a positive impact on sales tax revenue in the next few years. The renovation project will be taking place on the facility to adopt it to the needs of the tenants which is over \$2.5 million in a multi-year period. The work on the facility also brings job creations.

The acquisition and intended purpose is in alignment with the tax exemption except that the Pacific Lutheran University is not a school district which is required for the exemption. With your support, PCA is going to transforming the historic Parkland school building into a thriving hub for essential nonprofit community services.

Persons Testifying: PRO: Senator Steve Conway, Prime Sponsor; Lori Curtis, Parkland Community Assn; Philip Edlund, Parkland Community Assn; Wendy Freeman, Parkland Community Center.

Persons Signed In To Testify But Not Testifying: No one.