

**WAC 458-16-210 Nonprofit organizations, associations, or corporations organized and conducted for nonsectarian purposes.** (1) **Introduction.** This rule explains the real and personal property tax exemption available under RCW 84.36.030(1) to nonprofit organizations, associations, or corporations organized and conducted for nonsectarian purposes.

(2) **Definitions.** For purposes of this rule, the following definitions apply:

(a) "Benevolent social services" are services provided to persons of all ages for charitable reasons to promote the happiness and prosperity of others through generosity and pleasure at doing good works, or for the purpose of doing good. Examples of benevolent social services include, but are not limited to, providing a food bank or soup kitchen.

(b) "Character building social services" are services offered for the general public good that assist people with general living or job seeking skills, or assist people in working towards independent living and self-sufficiency. Examples of character building social services include, but are not limited to, providing financial assistance and counseling, and vocational training which includes resume writing and job interview training.

(c) "Commercial" refers to an activity or enterprise that has profit making as its primary purpose.

(d) "Community outreach group" means a nonprofit group organized to extend social services to a particular segment of the community. Examples of a community outreach group include, but are not limited to, a rescue mission organized to feed the homeless or a program that targets juveniles "at risk" of criminal or abusive behavior.

(e) "Nonsectarian purpose" means a purpose that is not associated with or limited to a particular religious group or denomination.

(f) "Protective social services" are services that protect other persons from injury or destruction, save others from financial loss, or assist persons with behavioral problems by providing encouragement, support, and training. Examples of protective social services include, but are not limited to, providing housing, counseling, encouragement, or support for battered persons or the physically or mentally disabled.

(g) "Rehabilitative social services" are services that restore individuals to a former capacity, to a condition of health, or to useful or constructive activity. Examples of rehabilitative social services include, but are not limited to, assisting an exoffender's reentry into the community, assisting persons to overcome alcohol or substance abuse, or to overcome the effects of a physical injury, stroke, or heart attack.

(3) **Exemption.** The real and personal property owned by nonprofit organizations, associations, or corporations (collectively, "organizations") are exempt from taxation if the following requirements are satisfied:

(a) The nonprofit organization is organized and conducted for nonsectarian purposes;

(b) The property is exclusively used to provide benevolent, character-building, protective, or rehabilitative social services to persons of all ages;

(c) The services provided by the nonprofit organization relieves a public obligation; and

(d) A portion of the nonprofit organization's services are gifted or donated to the people it serves as explained in subsection (4) of this section.

(4) **Gift and giving.** To qualify for this exemption, there must be an element of gift and giving by the nonprofit to the people it serves. This requires voluntarily giving something of value with no expectation of compensation or remuneration. To comply with this requirement, the nonprofit organization must demonstrate on an annual basis that it meets one of the following conditions:

(a) Provides goods and/or services free of charge or at a rate that is reduced by at least twenty percent of its standard rate, to a minimum of fifteen percent of the total number of people it assists; or

(b) Contributes at least ten percent of its total annual income earned from the property towards the support of benevolent, character-building, protective, or rehabilitative social service programs. To determine whether the ten percent requirement has been met:

(i) "Total annual income" refers to the total income the nonprofit organization earns from the property and reports to the Internal Revenue Service for the calendar year and includes, but is not limited to, funds received through direct and indirect public support, government grants, membership fees, and other contributions. The term does not include funds that are specifically donated or contributed for capital improvements.

(ii) A nonprofit organization may include in its ten percent calculation the value of time volunteers donate to carry out program services and functions, the loan of its facilities free of charge to community outreach groups, and gifts of scholarships and other fee subsidies.

(A) Volunteer time. If a nonprofit organization includes volunteer time in its ten percent calculation, it must maintain records identifying the individuals who donated their services and the number of hours they donated. The value of donated time will be calculated by using the federal minimum wage standard.

(B) Free use of facility. If a nonprofit organization allows community outreach groups to use its facility free of charge, it must maintain records identifying the community outreach groups that used the facility and the number of hours of use. The value of this use will be calculated by taking the number of hours, or any portion of an hour, the facility is used by these groups and multiplying it by the customary fee the nonprofit organization charges to rent its facility to any other group.

(5) **Additional exemption information.** A nonprofit organization that applies for this property tax exemption must also comply with the provisions of WAC 458-16-165 and may not impose conditions or restrictions on the use of the exempt property, except those that are reasonably necessary to safeguard the exempt property and to comply with this exemption.

(a) Fraternal organizations. Property used by a fraternal organization or association for fraternal purposes does not qualify for this exemption. For information regarding exemptions for property used for fraternal organizational purposes, see WAC 458-16-300 Public meeting hall—Public meeting place—Community meeting hall.

(b) Commercial purpose. If any portion of the nonprofit organization's property is used for a commercial rather than a nonprofit, non-sectarian exempt purpose, then that portion will not qualify for this

exemption and must be segregated from property used for exempt purposes. The burden is on the nonprofit organization to prove that the property is not used for a commercial purpose.

(c) Selling donated merchandise. When property is otherwise exempt under this rule, the sale of donated merchandise is not considered a disqualifying commercial purpose, but rather an exempt use of the property if the proceeds are dedicated to the exempt purpose of the nonprofit organization. For example, a job training program conducted through the operation of a thrift store is eligible for this exemption if the thrift store can verify the proceeds are directed to an exempt purpose.

(d) Property with option to repurchase. According to RCW 84.36.031, property leased, loaned, sold with the option to repurchase, or otherwise made available to organizations described in RCW 84.36.030, does not qualify for an exemption under RCW 84.36.030 unless:

(i) The property is owned by an organization exempt under RCW 84.36.020 or 84.36.030 and the organization loans, leases, or rents the property to another organization for the exempt purposes provided in RCW 84.36.030; or

(ii) The property is owned by an entity formed exclusively for the purpose of leasing the property to an organization that will use the property for the exempt purposes provided in RCW 84.36.030 if:

(A) The lessee uses the property for the exempt purposes provided in RCW 84.36.030;

(B) The immediate previous owner of the property had received an exemption under RCW 84.36.020 or 84.36.030 for the property; and

(C) The benefit of the exemption is passed on to the nonprofit organization using the property for exempt purposes.

[Statutory Authority: RCW 84.36.865. WSR 19-23-010, § 458-16-210, filed 11/7/19, effective 12/8/19. Statutory Authority: RCW 84.08.010, 84.08.070, 84.08.080, 84.36.389, and 84.36.865. WSR 15-07-021, § 458-16-210, filed 3/10/15, effective 4/10/15. Statutory Authority: RCW 84.08.010, 84.08.070 and chapter 84.36 RCW. WSR 94-07-008, § 458-16-210, filed 3/3/94, effective 4/3/94. Statutory Authority: RCW 84.36.865. WSR 88-02-010 (Order PT 87-10), § 458-16-210, filed 12/28/87; WSR 86-12-034 (Order PT 86-2), § 458-16-210, filed 5/30/86; WSR 85-05-025 (Order PT 85-1), § 458-16-210, filed 2/15/85. Statutory Authority: RCW 84.36.389 and 84.36.865. WSR 83-19-029 (Order PT 83-5), § 458-16-210, filed 9/14/83. Statutory Authority: RCW 84.36.865. WSR 81-05-017 (Order PT 81-7), § 458-16-210, filed 2/11/81; Order PT 77-2, § 458-16-210, filed 5/23/77; Order PT 76-2, § 458-16-210, filed 4/7/76. Formerly WAC 458-12-205.]