

# SENATE BILL REPORT

## SB 6280

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As Passed Senate, February 8, 2006

**Title:** An act relating to removing the irrevocable dedication requirement for exemption from property tax for property owned by nonprofit entities.

**Brief Description:** Removing the irrevocable dedication requirement for exemption from property taxes for nonprofit entities.

**Sponsors:** Senator Regala.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/06, 1/30/06 [DP].

Passed Senate: 2/8/06, 42-0.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Brandland, Kohl-Welles, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Dean Carlson (786-7305)

**Background:** All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law. The only class of property which is exempt by the State Constitution is that owned by the United States, the State, its counties, school districts, and other municipal corporations, but the State Constitution allows the Legislature to exempt other property from taxation.

Exemptions exist for personal property, public property, private property, and property of nonprofit organizations that is used for specific purposes. The property must be used exclusively for the purpose for which the exemption was granted. In addition, the property must be irrevocably dedicated to the purpose for which the exemption was granted. In other words, upon liquidation, dissolution, or abandonment by a nonprofit organization, the property may not benefit any shareholder or individual except a nonprofit organization that would be entitled to a property tax exemption if it applied for one. This requirement does not apply to leased property.

**Summary of Bill:** The irrevocable dedication requirement for property tax exemption for nonprofit organizations is eliminated.

**Appropriation:** None.

**Fiscal Note:** Requested on 01/10/06.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For:** We received a tax bill on property we have owned for more than 40 years. It has always been used exclusively for Girl Scouts. The only difference is a reversionary clause in the deed from the 1960's. It is common sense that the current use of the property should determine the exempt status of a property and not an unknown future use of the property. This is the first time in all my years of practice that I have seen this imposed on a charitable organization. Leased property would be exempt from tax, but owned property with a reversion clause would owe tax. It doesn't make sense.

**Testimony Against:** None.

**Who Testified:** PRO: Kathleen Houston, Pacific Peaks Girl Scout Council; Robert G. Casey, Pacific Peaks Girl Scout Council.