

HOUSE BILL REPORT

HB 1949

As Reported By House Committee On:
Revenue

Title: An act relating to political activities of organizations exempt from property taxes.

Brief Description: Prohibiting tax exempt nonprofit organizations from political activity.

Sponsors: Representatives Morris, Wang, Appelwick, Brough, Rust, Foreman, Springer, Peery, Ogden, Dunshee, Sommers, G. Cole, G. Fisher, R. Meyers, Riley, Mastin, Quall, Kessler, Romero, Karahalios, Shin, Basich, Heavey, Zellinsky, Ludwig, Roland, L. Johnson, Orr, Valle, Flemming, Bray, Holm, Hansen, Rayburn, Wolfe, Anderson, Finkbeiner, H. Myers, R. Fisher, Locke, Brown, Sheldon, Johanson, Veloria, Cothorn, Scott, Leonard, Jacobsen, R. Johnson, King, Linville, Pruitt, Eide, Campbell, Grant, J. Kohl and Patterson.

Brief History:

Reported by House Committee on:
Revenue, March 8, 1993, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Cothorn; Leonard; Morris; Romero; Rust; Silver; Thibaudeau; and Wang.

Minority Report: Do not pass. Signed by 2 members: Representatives Talcott and Van Luven.

Staff: Rick Peterson (786-7150).

Background: Property of certain nonprofit organizations is exempt from property taxation. These nonprofit organizations and their property include: character building, benevolent, protective or rehabilitative social service organizations; churches and church camps; youth character building organizations; war veterans organizations; national and international relief organizations; federal guaranteed student loan

organizations; blood banks; public assembly halls; medical research or training facilities; art, scientific, or historical collections and facilities; conservation futures; sheltered workshops; fair associations; humane societies; water distribution property; schools and colleges; radio/television rebroadcast facilities; fire company property; day-care centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; homeless shelters; and performing arts property.

Summary of Substitute Bill: Nonprofit organizations, except schools and colleges, that directly engage in prohibited political activity are not eligible for a property tax exemption.

Prohibited political activity means activities on behalf of, in support of, or in opposition to a political candidate or a group of political candidates such as: displaying or distributing posters, pamphlets, or signs; soliciting funds or other resources; contributing funds or other resources; printing or distributing written or printed materials; using bulletins, newsletters, or other written or printed materials of an exempt organization; using a vehicle of an exempt organization to transport members or others to an event or rally; using tax exempt property as an assembly site or gathering area for an event or rally; and using equipment or supplies of an exempt organization to produce, reproduce, or distribute written or printed materials. The non profit organization's tax exemption is not jeopardized if they rent to another organization for a candidate event or rally.

A nonprofit organization's property tax exemption will be revoked if two violations of these conditions occur. The Department of Revenue is required to provide written notification of violations to the exempt organization. A finding by the department of a violation may be appealed through the administrative appeals process. A revocation of exemption may be appealed through the administrative appeals process and to the State Board of Tax Appeals. Inadvertent violation of these conditions will not cause loss of a property tax exemption unless the violation is repeated in the same or successive assessment years.

The provisions of this bill are not to be interpreted to be more restrictive than the federal rules limiting political activity of federally exempt 501(c)(3) organizations.

Substitute Bill Compared to Original Bill:

The substitute bill requires direct, rather than "direct or indirect," intervention in prohibited political activity to lose a property tax exemption. The substitute bill allows nonprofit organizations to rent their properties to other organizations for candidate events or rallies. The substitute bill limits the interpretation of these rules to be no more restrictive than federal 501(c)(3) rules. The appeals procedure is clarified. The contribution of nonprofit organizations to community quality and stability is recognized in the intent statement.

Fiscal Note: Available.

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

Testimony For: Properties that enjoy a property tax exemption receive a subsidy from other taxpayers for the services that are paid for by property taxes. While the state should not interfere in the activities of nonprofit tax exempt organizations, at the same time, nonprofit tax exempt organizations should remain neutral on political campaigns.

Testimony Against: The bill should be amended to include a provision whereby a building could be rented out for political purposes. In the case of religious organizations, property tax exemptions are a right, not a privilege. This bill seems unnecessary; the Internal Revenue Service already has this covered.

Witnesses: Ronnie Maynor (opposed); Dennis Branstetter (opposed); Dewayne Lebow (opposed); Mary Clogston, Tax Fairness Campaign (supports); Jeff Parsons, National Audubon Society (neutral); and Stu Halson, Washington State Federal of Clubs (opposed).