

HB 1028

Bill Analysis

January 21, 1997

Brief Description: Exempts real and personal property owned by a grange from property taxes, if the grange makes at least one-half acre of land available for a community fair.

Staff: Linda Brooks (786-7153)

Background: All real and personal property in this state is subject to property tax each year, based on its value, unless a specific exemption is provided by law. There is no specific property tax exemption focused on granges. Many grange properties, however, qualify for a property tax exemption provided for nonprofit public assembly or meeting places.

The assembly hall or meeting place exemption is restricted to the buildings, the land under the buildings, and up to one acre of parking area. For essentially unimproved property, the exemption is limited to 29 acres. To qualify for the assembly hall exemption, the property must be used for public gatherings and be available to all organizations or persons desiring to use the property.

Per legislation enacted in 1993, an assembly hall or meeting place may be used for three days each year for pecuniary gain without losing its property tax exempt status. Likewise, if an assembly hall or meeting place is inadvertently used for an activity inconsistent with the property's tax exempt status, the property does not automatically lose its exempt status. Only inadvertent use that is repeated in the same assessment year or in successive assessment years represents a pattern of use that disqualifies the property for the tax exemption.

The three-day limit on activities for pecuniary gain does not apply to the nonprofit organization's own fund-raising activities.

Under the assembly hall and meeting place exemption, properties exempted from tax are subject to some general provisions that apply to most property tax exemptions for nonprofit organizations. For example, if an exempt meeting place property is sold, property taxes, equal to the amount that would have been owing except for the exemption, must be paid for the three-year period preceding the sale. Another general provision restricts rents and donations paid for the use of the property to reasonable amounts that do not exceed maintenance and operational costs.

Summary: All real and personal property owned by a grange qualifies for a tax exemption, if the grange meets two criteria:

- (1) The grange is formally incorporated under the laws of the state; and
- (2) The grange makes available more than one-half acre of land available for a community fair.

There are no restrictions on the use of qualifying grange properties. Tax-exempt grange properties may be used for pecuniary gain activities. Tax-exempt grange properties also are not subject to general provisions that apply to certain classes of exempted properties. For example, rents or donations paid to use a grange property are not limited to amounts reasonably correlated to actual maintenance and operation expenses. Likewise, if a tax-exempt grange property is sold, there is no requirement that property taxes, equal to the amount that would have been owing except for the exemption, must be paid for the three-year period immediately preceding the sale.

Fiscal Note: Available

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