

HB 1613

Bill Analysis

February 9, 1999

Brief Description: Clarifying the property tax exemption statutes.

Bill Sponsors: Representatives Barlean, Lovick and B. Chandler; by request of Department of Revenue.

Brief Summary of Bill

- Consolidates separate exemptions for inventory property into one section.
- Provides that new property tax exemptions for nonprofit organizations will be subject to standard restrictions on use of the property, unless exempted in act creating the new exemption.
- Waives back taxes when a lease for property used by a private schools or college is canceled.

Staff: Bob Longman, 796-7139.

Background:

All property is subject to property tax unless specifically exempted by statute.

In 1973, the Legislature exempted business inventories from property taxation. The exemption was phased in by allowing a business and occupation (B&O) tax credit equal to 10 percent of the property taxes paid on business inventories in 1974 increasing to 100 percent in 1983. In 1984, the credit expired and business inventories were exempt from the property tax. However, there are several other property tax exemptions for items that could also be considered business inventories. This results in multiple exemptions for the same property.

Several property tax exemptions exist for nonprofit organizations, including churches, church camps, character building, benevolent, protective or rehabilitative social service organizations; youth character building organizations; war veterans organizations; national and international relief organizations; federal guaranteed student loan organizations; blood, bone and tissue 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.

Most property tax exemptions for nonprofit organizations are subject to a group of standard conditions in a separate section of law. These conditions restrict the use of the property to exempt purposes, with certain exceptions. The property may be used for fund-raising activities without jeopardizing the exemption if the fund-raising activities are consistent with the purposes for which the exemption was granted. The property must be irrevocably dedicated to the purpose for which the exemption was granted. Leased property is not required to be irrevocably dedicated if the nonprofit organization receives the benefit of the property tax exemption under the terms of the loan or rental agreement. Facilities must be made available without regard to race, color, national origin, or ancestry. The books of the organization must be open to the department of revenue. Churches, cemeteries, administrative offices of religious organizations, caretakers residences, water distribution cooperatives, and real property interests used for conservation by nonprofit nature conservancy organizations are exempt from these conditions.

Generally, property removed from exempt status must pay the property tax for the three preceding years plus interest. These back taxes are not due if the property has been exempt for more than ten years. Blood, bone, and tissue banks, medical research or training facilities, public radio and TV transmission stations, sheltered workshops, and fair associations are exempt from the repayment requirement. Also, this back tax requirement does not apply when a nonprofit organization uses leased property and the lease is canceled, except for leases to private schools and colleges.

In 1967, the Legislature enacted an exemption for real property where the owner dedicates the perpetual use of the air space above the property to a political subdivision for a stadium or parking facility used in connection with the stadium. This exemption was enacted at the time the King County stadium was being planned but has never been used.

Summary of Bill:

All exemptions for business inventories and their related definitions are consolidated into one statute.

Administrative statutes pertaining to nonprofit organizations are simplified. The statute imposing conditions on nonprofit organizations will apply to all new property tax exemptions for nonprofit organizations, unless the new exemption is specifically exempted. Also, if a private school or college uses leased property and the lease is canceled, back taxes will not be due.

The property tax exemption for real property where the owner dedicates the perpetual use of the air space above the property to a political subdivision for a stadium or parking facility used in connection with the stadium is repealed.

References to repealed statutes are deleted.

Appropriation: None.

Fiscal Note: Available.

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