

FINAL BILL REPORT

SB 5021

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Synopsis as Enacted

Brief Description: Exempting certain nonprofit organizations from property taxation.

Sponsors: Senators Snyder, Swecker, Winsley and Benton.

Senate Committee on Ways & Means

House Committee on Finance

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.

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.

Upon loss of exemption, back taxes for up to three years may be due. This back tax requirement applies to all organizations subject to the standard conditions, except blood, bone, and tissue banks; medical research or training facilities; public radio/television rebroadcast facilities; sheltered workshops; and fair associations. This back tax requirement

does not apply to the cancellation of a lease on property subject to the back tax requirement except for private schools and colleges.

Summary: All real and personal property owned by a nonprofit organization and used to provide a demonstration farm with research and extension facilities, a public agricultural museum, and an educational tour site is exempt from property taxation if the following conditions are met:

- the property is used by a state university for agricultural research and education programs; and
- the nonprofit owner is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code.

This property tax exemption includes personal and real property, not exceeding 50 acres, that the nonprofit owner may use for the production and sale of agricultural products, if income from the agricultural products sold is used to further the purposes of the nonprofit organization.

This exemption is subject to the standard conditions and the back tax requirement.

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

Votes on Final Passage:

Senate	47	0
House	94	0

Effective: July 25, 1999