

Finance Committee

HB 1789

Brief Description: *Granting property tax exemptions to certain nonprofit organizations.*

Sponsors: *Representatives Fromhold, Cox, Gombosky, Kenney, Ogden and Santos.*

Brief Summary of Bill

- *Exempts from property tax property owned or used by nonprofit foundations of institutions of higher education.*
- *Forgives back property taxes on land under the open space program transferred to a foundation of a public institution of higher education.*

Hearing Date: *2/21/01*

Staff: *Rick Peterson (786-7150).*

Background:

All property in this state is subject to property tax each year based on the property's value unless a specific exemption is provided by law. The Constitution exempts property owned by the United States, the state, counties, school districts, and other municipal corporations from property taxes.

Several property tax exemptions exist for nonprofit organizations. Some exemptions apply only to property owned by a nonprofit organization, and other exemptions apply to property either owned or leased by a nonprofit organization. Examples of some nonprofit property tax exemptions are:

Property Tax Exemptions for Nonprofit Organizations

- Exempt on Owned Property Only Exempt on Owned or Leased Property***
- *character building, benevolent, protective*
 - *free public libraries*

- or rehabilitative social service organizations* · *orphanages*
- *churches and church camps* · *nursing homes*
- *youth character building organizations* · *hospitals*
- *war veterans' organizations* · *homes for the aging*
- *water distribution property* · *schools and colleges*
- *nonprofit nature conservancy organization* · *day care centers*
- *public assembly halls* · *radio/TV rebroadcast facilities*
- *medical research or training facilities* · *performing arts properties*
- *art, scientific, or historical collections* · *homeless shelters*
- *sheltered workshops* · *outpatient dialysis facilities*
- *fair associations* · *blood banks*
- *humane societies*

On April 6, 1999 the State Board of Tax Appeals issued a ruling regarding a property tax exemption for property that Public Hospital District #2 of Snohomish County was leasing. They concluded that the leased property was not exempt from property taxes. Public Hospital District #2 of Snohomish County, like other governments, is exempt on the property they own. However, the statute that provides this exemption does not extend the exemption to the property these governments lease.

After this decision and a review of the property tax exemptions statutes, the Department of Revenue decided it had incorrectly allowed property tax exemptions for property leased by a number of community colleges, public hospital districts, and one library district. This January, the Department of Revenue sent letters revoking the tax exemption for this leased property.

Property meeting certain conditions may have property taxes determined on current use values rather than market values. There are five categories of lands that may be classified and assessed on current use. Three categories are covered in the open space law: open space lands; farm and agriculture lands; and timber lands. The two remaining categories are in the timber tax law: classified and designated forest land.

When property is removed from current use classification, back taxes, plus interest, must be paid. For open space categories, back taxes represent the tax benefit received over the most recent seven years. For classified and designated forest land, back taxes are equal to the tax benefit in the most recent year multiplied by the number of years in the program (but not more than 10). There are some exceptions to the requirement for payment of back taxes. For example, back taxes are not required on the transfer of the land to an entity using the power of eminent domain or in anticipation of the exercise of that power.

Summary of Bill:

A property tax exemption is established for property owned or used by nonprofit foundations of institutions of higher education.

Back property taxes do not have to be paid when land under the open space program is transferred to a foundation of a public institution of higher education.

Appropriation: None.

Fiscal Note: Requested on February 17, 2001.

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