

SENATE BILL REPORT

ESHB 2191

As Reported By Senate Committee On:
Ways & Means, April 2, 2001

Title: An act relating to property tax exemptions for property leased by public entities.

Brief Description: Providing property tax exemptions for certain property leased by public entities.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Morris (co-prime sponsor), Sehlin (co-prime sponsor), Lisk and Fromhold).

Brief History:

Committee Activity: Ways & Means: 3/22/01, 4/2/01 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kline, Kohl-Welles, Long, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau and Winsley.

Staff: Terry Wilson (786-7433)

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:

Exempt on Owned Property Only

- character building, benevolent, protective or rehabilitative social service organizations
- churches and church camps
- youth character building organizations
- war veterans' organizations
- water distribution property
- nonprofit nature conservancy organization
- public assembly halls
- medical research or training facilities
- art, scientific, or historical collections

Exempt on Owned or Leased

- free public libraries
- orphanages
- nursing homes
- hospitals
- homes for the aging
- schools and colleges
- day care centers
- radio/TV rebroadcast facilities
- performing arts properties
- homeless shelters

- sheltered workshops
- fair associations
- humane societies
- outpatient dialysis facilities
- blood banks

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. It 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 it owns. 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.

Summary of Bill: A property tax exemption is established for real and personal property owned by nonprofit foundations of institutions of higher education that is leased to an institution of higher education. The property must be actively utilized by currently enrolled students. If exempt property is no longer used by a state institution of higher education, then up to seven years of tax benefits from the exemption are collected.

Real and personal property leased and used by a hospital that is owned by a public hospital district is exempt from property tax.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The foundations exist to bridge the gap between tuition and what the state provides. Each college has a dedicated foundation which benefits the college. These foundations have not been paying tax and have not budgeted for it. The tax would have to be passed on to the colleges or students or result in fewer benefits. They should get the same tax exemption as the college. For public hospitals, it doesn't make economic sense to buy expensive equipment because of obsolescence.

Testimony Against: None.

Testified: PRO: Bridget Piper, Gail Stevenson, CCS Foundation; Rich Rutkowski, President, Green River Community College; Lydia Lodesma-Reese, President, Skagit Valley College; Len McComb, Assn. of WA Public Hospital Districts.