

HOUSE BILL REPORT

HB 1905

As Amended by the Senate

Title: An act relating to the property taxation of organizations operated exclusively for art, scientific, or historical purposes or engaged in the production and performance of musical, dance, artistic, dramatic, or literary works.

Brief Description: Providing a limited property tax exemption for the use of facilities by artistic, scientific, and historical organizations.

Sponsors: By Representatives Gombosky, Buck, Lantz, Tom, Pettigrew, Rockefeller, Skinner, Fromhold, Benson, Kagi, Kessler, Clibborn, Nixon, Kenney, Moeller, Conway, Hudgins, Santos and McDermott.

Brief History:

Committee Activity:

Finance: 3/6/03, 3/10/03 [DP].

Floor Activity:

Passed House: 3/17/03, 98-0.

Senate Amended.

Passed Senate: 4/16/03, 48-1.

Brief Summary of Bill

- Allows non-profit museums and performing arts associations to retain their property tax exemption when they rent their exempt property to others.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

Staff: Rick Peterson (786-7150).

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.

Several property tax exemptions exist for non-profit organizations. Examples of non-profit property tax exemptions are: Character building, benevolent, protective or rehabilitative social service organizations; churches and church camps; 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, and historical collections; sheltered workshops; fair associations; humane societies; water distribution property; schools and colleges; radio/television rebroadcast facilities; fire company property; daycare centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; day care centers; performing arts properties; homeless shelters; outpatient dialysis facilities; and blood banks.

Property tax exempt property must be used exclusively for the actual operation of the activity for which the exemption was granted. The property may be loaned or rented if (a) the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses, and (b) except for public assembly halls and war veterans organizations, the organization renting the property would be exempt from tax if they owned the property.

Public assembly halls and war veterans organizations may rent their exempt facilities to businesses for a limited period. In the case of war veterans organizations, their facilities may be rented to a profit making business for three days a year. Public assembly halls may be rented to a profit making business for up to seven days a year and, if located in a county with less than 10,000 population, may rent the property for the following business activities: dance lessons; art classes; and music lessons.

Summary of Bill:

Non-profit associations that maintain and exhibit historical, scientific, or artistic collections and performing arts associations may retain their property tax exemption when they allow another organization that does not qualify for the property tax exemption to use or rent their exempt property. The property must be rented for use in the production and performance of musical, dance, artistic, dramatic, or literary works or for community gatherings or assembly, or meetings. The property may be used for these purposes for up to 45 days per year. For seven of these days the property may be used for profit making business activities.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment reduces the number of days a museum or performing arts association may rent their tax exempt facilities to non-exempt organizations from 45 days to 25 days a year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill will allow these non-profit facilities to be rented out on a limited basis without jeopardizing their property tax exemption. It is similar to a bill that passed the House last year. From meetings with the Department of Revenue it was determined that setting a number of days for which the facility may be rented is easier to administer. The bill has built-in limiters on rental usage. If the organization goes beyond what is allowed in the bill then the organization would lose the property tax exemption.

Testimony Against: None.

Testified: Representative Gombosky, prime sponsor; Gretchen Johnston, Washington State Arts Alliance; Steve Lerian, Kirkland Performance Center; Mark Hugh, Clark Nuber, P.S.; and Kris Tucker, Washington State Arts Commission.