

SENATE BILL REPORT

SB 5836

As of March 4, 2003

Title: An act relating to property tax exemptions for nonprofit organizations supporting artists.

Brief Description: Providing property tax exemptions for nonprofit organizations supporting artists.

Sponsors: Senators Thibaudeau, Winsley, Kohl-Welles, Kline and Prentice.

Brief History:

Committee Activity: Ways & Means: 3/4/03.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

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.

Property tax exemptions of most nonprofit organizations are subject to the following standard conditions:

- 1) The property must be used exclusively for the purpose for which the exemption was granted. However, the property may be loaned or rented if the property would be exempt if it were owned by the organization to which it is loaned or rented and the rents or donations received are reasonable and do not exceed the maintenance and operation expenses incurred.
- 2) The property may be used for fundraising activities without jeopardizing the exemption if the fundraising activities are consistent with the purposes for which the exemption was granted.
- 3) The property must be irrevocably dedicated to the purpose for which the exemption was granted. In other words, upon liquidation, dissolution, or abandonment by a nonprofit organization, the property may not benefit any shareholder or individual except a nonprofit organization that would be entitled to a property tax exemption if it applied for one. 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.
- 4) Facilities must be made available without regard to race, color, national origin, or ancestry.
- 5) The books of the organization must be open to the Department of Revenue.

Upon loss of exemption, back taxes for up to three years may be due. The back tax requirement does not apply to the cancellation of a lease on property subject to the back tax requirement.

Summary of Bill: The real and personal property owned or used by a nonprofit organization used for solicitation or collection of gifts, donations, or grants to support individual artists is exempt from property taxation. The organization must meet the following conditions:

- (1) The organization is organized and conducted for nonsectarian purposes.
- (2) The organization is qualified for exemption under section 501(c)(3) of the federal internal revenue code.
- (3) The organization is governed by a volunteer board of directors of at least eight members.
- (4) If the property is leased, the benefit of the exemption inures to the user.
- (5) The gifts, donations, and grants are used by the organization for grants, fellowships, information services, and educational resources in support of individual artists engaged in the production or performance of musical, dance, artistic, dramatic, or literary works.

The bill applies to taxes levied for collection in 2004 and thereafter.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill only applies to the Artist Trust. There is no state fiscal impact and minimal impact on local government. It is helpful to the organization and a boost to individual artists.

Testimony Against: None.

Testified: Senator Thibaudeau, prime sponsor (pro).