HOUSE BILL REPORT
SB 6280

As Passed House:
March 3, 2006

Title: An act relating to removing the irrevocable dedication requirement for exemption from property tax for property owned by nonprofit entities.

Brief Description: Removing the irrevocable dedication requirement for exemption from property taxes for nonprofit entities.

Sponsors: By Senator Regala.

Brief History:
Committee Activity:
Finance: 2/20/06, 2/23/06 [DP].
Floor Activity:
Passed House: 3/3/06, 98-0.

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Brief Summary of Bill

• Eliminates the requirement that property owned by a nonprofit organization and eligible for property tax exemption must be irrevocably dedicated to the purpose for which the exemption was granted.

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HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Ericks, Hasegawa, Santos and Shabro.

Staff: Bob Longman (786-7139).

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. Several property tax exemptions exist for nonprofit organizations. Examples of nonprofit property tax exemptions are: schools and colleges; character building, benevolent, protective or rehabilitative social service organizations providing services for all ages; 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 and meeting places; medical research or training facilities; art,

scientific, and historical collections; sheltered workshops; fair associations; humane societies; water distribution property; radio/television rebroadcast facilities; fire company property; day-care centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; performing arts properties; and homeless shelters.

Exempt nonprofit property must be used exclusively for the purpose for which the exemption was granted, with a few exceptions. In addition, 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. This requirement does not apply to leased property.

Summary of Bill:

The irrevocable dedication requirement for property tax exemption for nonprofit organizations is eliminated.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The requirement of irrevocable dedication is an obscure and obsolete provision. No one seems to know why it is in the law. The Girl Scouts have used a particular piece of property for more than 40 years. The use of the property has always been consistent with the requirements of the property tax exemption. But without warning the organization received a bill for property taxes, based on a claim that the property is not irrevocably dedicated to the Girl Scouts due to a clause in the deed. The clause raises a remote possibility the Girl Scouts could lose the property if not used continuously for scout purposes in the future. The property was used for scout purposes for the entire property tax year, and that should be enough for exemption from that year's taxes. The $6,000 in taxes paid on this property could have been put to better use for Girl Scout programs rather than paying property taxes.

Testimony Against: None.

Persons Testifying: Senator Regala, prime sponsor; Kathleen Houston, Girl Scouts of America, Pacific Peaks Council; and Bob Casey, Eisenhower & Carlton.

Persons Signed In To Testify But Not Testifying: None.