
SUBSTITUTE HOUSE BILL 1510

State of Washington **59th Legislature** **2005 Regular Session**

By House Committee on Finance (originally sponsored by
Representatives Morris, Quall, B. Sullivan and Chase)

READ FIRST TIME 03/07/05.

1 AN ACT Relating to the property taxation of nonprofit entities;
2 amending RCW 84.36.030, 84.36.031, and 84.36.810; and reenacting and
3 amending RCW 84.36.037.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 84.36.030 and 1993 c 327 s 2 are each amended to read
6 as follows:

7 The following real and personal property shall be exempt from
8 taxation:

9 (1)(a) Property owned by nonprofit organizations or associations,
10 organized and conducted for nonsectarian purposes, which shall be used
11 for character-building, benevolent, protective or rehabilitative social
12 services directed at persons of all ages.

13 (b) The sale of donated merchandise shall not be considered a
14 commercial use of the property under this section if the proceeds are
15 devoted to the furtherance of the purposes of the selling organization
16 or association as specified in this ((paragraph)) subsection (1).

17 (c) In a county with a population of less than twenty thousand, the
18 rental or use of property, owned by a nonprofit organization or

1 association described in (a) of this subsection, by a person, group, or
2 organization in one of the following ways shall not nullify the
3 exemption:

4 (i) The property may be rented or used for pecuniary gain or for
5 business activities or by individuals, groups, and organizations for
6 private purposes if the rental or use:

7 (A) Does not exceed fifteen days each assessment year; and

8 (B) All income from the rental or use of the exempt property is
9 used for capital improvements to the exempt property, maintenance and
10 operation of the exempt property, or for exempt purposes; or

11 (ii) The property is rented or used by a nonprofit community group
12 or other nonprofit organization that might not qualify for exemption if
13 it owned the property as long as the rental or use of the property:

14 (A) Does not exceed fifteen days each assessment year;

15 (B) Does not result in pecuniary gain;

16 (C) Does not involve business activities;

17 (D) Is always for the general public good; and

18 (E) All income from the rental or use of the exempt property is
19 used for capital improvements to the exempt property, maintenance and
20 operation of the exempt property, or for exempt purposes.

21 (2) Property owned by any nonprofit church, denomination, group of
22 churches, or an organization or association, the membership of which is
23 comprised solely of churches or their qualified representatives, which
24 is utilized as a camp facility if used for organized and supervised
25 recreational activities and church purposes as related to such camp
26 facilities. The exemption provided by this paragraph shall apply to a
27 maximum of two hundred acres of any such camp as selected by the
28 church, including buildings and other improvements thereon.

29 (3) Property, including buildings and improvements required for the
30 maintenance and safeguarding of such property, owned by nonprofit
31 organizations or associations engaged in character building of boys and
32 girls under eighteen years of age, and used for such purposes and uses,
33 provided such purposes and uses are for the general public good:
34 PROVIDED, That if existing charters provide that organizations or
35 associations, which would otherwise qualify under the provisions of
36 this paragraph, serve boys and girls up to the age of twenty-one years,
37 then such organizations or associations shall be deemed qualified
38 pursuant to this section.

1 (4)(a) Property owned by all organizations and societies of
2 veterans of any war of the United States, recognized as such by the
3 department of defense, which shall have national charters, and which
4 shall have for their general purposes and objects the preservation of
5 the memories and associations incident to their war service and the
6 consecration of the efforts of their members to mutual helpfulness and
7 to patriotic and community service to state and nation. To be exempt
8 such property must be used in such manner as may be reasonably
9 necessary to carry out the purposes and objects of such societies.

10 (b) The use of the property for pecuniary gain or (~~to promote~~)
11 for business activities, except as provided in this subsection (4),
12 nullifies the exemption otherwise available for the property for the
13 assessment year. The exemption is not nullified by:

14 (~~(a)~~) (i) The collection of rent or donations if the amount is
15 reasonable and does not exceed maintenance and operation expenses.

16 (~~(b)~~) (ii) Fund-raising activities conducted by a nonprofit
17 organization.

18 (~~(c)~~) (iii) The use of the property for pecuniary gain for
19 periods of not more than (~~three~~) fifteen days in a year.

20 (~~(d)~~) (c) An inadvertent use of the property in a manner
21 inconsistent with the purpose for which exemption is granted, if the
22 inadvertent use is not part of a pattern of use. A pattern of use is
23 presumed when an inadvertent use is repeated in the same assessment
24 year or in two or more successive assessment years.

25 (5) Property owned by all corporations, incorporated under any act
26 of congress, whose principal purposes are to furnish volunteer aid to
27 members of the armed forces of the United States and also to carry on
28 a system of national and international relief and to apply the same in
29 mitigating the sufferings caused by pestilence, famine, fire, floods,
30 and other national calamities and to devise and carry on measures for
31 preventing the same.

32 (6) Property owned by nonprofit organizations exempt from federal
33 income tax under section 501(c)(3) of the internal revenue code of
34 1954, as amended, that are guarantee agencies under the federal
35 guaranteed student loan program or that issue debt to provide or
36 acquire student loans.

37 (7) To be exempt under this section, the property must be used

1 exclusively for the purposes for which exemption is granted, except as
2 provided in RCW 84.36.805.

3 (8) For the purposes of this section, "general public good" means
4 members of the community derive a benefit from the rental or use of the
5 property by the nonprofit community group or organization.

6 **Sec. 2.** RCW 84.36.031 and 1969 c 137 s 2 are each amended to read
7 as follows:

8 Property leased, loaned, sold with the option to repurchase, or
9 otherwise made available to organizations (~~(as set out)~~) described in
10 RCW 84.36.030 above shall not be exempt from taxation(~~(:—PROVIDED,~~
11 ~~That property which)~~). However, property that is owned by an
12 organization (~~(as set out in)~~) exempt under RCW 84.36.030 may loan,
13 lease, or rent the property to another organization for the same
14 purpose as set out in RCW 84.36.030.

15 **Sec. 3.** RCW 84.36.037 and 1998 c 311 s 19 and 1998 c 189 s 1 are
16 each reenacted and amended to read as follows:

17 (1) Real or personal property owned by a nonprofit organization,
18 association, or corporation in connection with the operation of a
19 public assembly hall or meeting place is exempt from taxation. The
20 area exempt under this section includes the building or buildings, the
21 land under the buildings, and an additional area necessary for parking,
22 not exceeding a total of one acre. When property for which exemption
23 is sought is essentially unimproved except for restroom facilities and
24 structures and this property has been used primarily for annual
25 community celebration events for at least ten years, the exempt
26 property shall not exceed twenty-nine acres.

27 (2) To qualify for this exemption the property must be used
28 exclusively for public gatherings and be available to all organizations
29 or persons desiring to use the property, but the owner may impose
30 conditions and restrictions which are necessary for the safekeeping of
31 the property and promote the purposes of this exemption. Membership
32 shall not be a prerequisite for the use of the property.

33 (3) The use of the property for pecuniary gain or (~~(to promote)~~)
34 for business activities, except as provided in this section, nullifies
35 the exemption otherwise available for the property for the assessment
36 year. The exemption is not nullified by:

1 (a) The collection of rent or donations if (~~the amount is~~
2 ~~reasonable and does not exceed maintenance and operation expenses~~
3 ~~created by the user~~) all funds collected are used for capital
4 improvements to the exempt property, maintenance and operation of the
5 exempt property, or for exempt purposes.

6 (b) Fund-raising activities conducted by a nonprofit organization.

7 (c) The use of the property for pecuniary gain (~~or to promote~~),
8 for business activities for periods of not more than (~~seven~~) fifteen
9 days (~~in a~~) each assessment year so long as all income received from
10 rental or use of the exempt property is used for capital improvements
11 to the exempt property, maintenance and operation of the exempt
12 property, or for exempt purposes.

13 (d) In a county with a population of less than (~~ten~~) twenty
14 thousand, the use of the property to promote the following business
15 activities: Dance lessons, art classes, or music lessons.

16 (e) An inadvertent use of the property in a manner inconsistent
17 with the purpose for which exemption is granted, if the inadvertent use
18 is not part of a pattern of use. A pattern of use is presumed when an
19 inadvertent use is repeated in the same assessment year or in two or
20 more successive assessment years.

21 (4) The department of revenue shall narrowly construe this
22 exemption.

23 **Sec. 4.** RCW 84.36.810 and 2003 c 344 s 2 are each amended to read
24 as follows:

25 (1)(a) Upon cessation of a use under which an exemption has been
26 granted pursuant to RCW 84.36.030, 84.36.037, 84.36.040, 84.36.041,
27 84.36.042, 84.36.043, 84.36.046, 84.36.050, 84.36.060, 84.36.550,
28 (~~84.36.650,~~) 84.36.560, (~~and~~) 84.36.570, and 84.36.650, except as
29 provided in (b) of this subsection, the county treasurer shall collect
30 all taxes which would have been paid had the property not been exempt
31 during the three years preceding, or the life of such exemption, if
32 such be less, together with the interest at the same rate and computed
33 in the same way as that upon delinquent property taxes. If the
34 property has been granted an exemption for more than ten consecutive
35 years, taxes and interest shall not be assessed under this section.

36 (b) Upon cessation of use by an institution of higher education of
37 property exempt under RCW 84.36.050(2) the county treasurer shall

1 collect all taxes which would have been paid had the property not been
2 exempt during the seven years preceding, or the life of the exemption,
3 whichever is less.

4 (2) Subsection (1) of this section applies only when ownership of
5 the property is transferred or when fifty-one percent or more of the
6 area of the property loses its exempt status. The additional tax under
7 subsection (1) of this section shall not be imposed if the cessation of
8 use resulted solely from:

9 (a) Transfer to a nonprofit organization, association, or
10 corporation for a use which also qualifies and is granted exemption
11 under this chapter;

12 (b) A taking through the exercise of the power of eminent domain,
13 or sale or transfer to an entity having the power of eminent domain in
14 anticipation of the exercise of such power;

15 (c) Official action by an agency of the state of Washington or by
16 the county or city within which the property is located which disallows
17 the present use of such property;

18 (d) A natural disaster such as a flood, windstorm, earthquake, or
19 other such calamity rather than by virtue of the act of the
20 organization, association, or corporation changing the use of such
21 property;

22 (e) Relocation of the activity and use of another location or site
23 except for undeveloped properties of camp facilities exempted under RCW
24 84.36.030;

25 (f) Cancellation of a lease on leased property that had been exempt
26 under this chapter; (~~or~~)

27 (g) A change in the exempt portion of a home for the aging under
28 RCW 84.36.041(3), as long as some portion of the home remains exempt;
29 or

30 (h) Transfer to an agency of the state of Washington or the city or
31 county within which the property is located.

32 (3) Subsection(~~s~~) (2)(e) and (f) of this section do not apply to
33 property leased to a state institution of higher education and exempt
34 under RCW 84.36.050(2).

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