
SECOND SUBSTITUTE HOUSE BILL 1802

State of Washington

59th Legislature

2006 Regular Session

By House Committee on Economic Development, Agriculture & Trade (originally sponsored by Representatives Kilmer, Walsh, Pettigrew, Strow, Wallace, Kenney, Clibborn, Hankins, McCoy, Haler, Blake, McCune, Linville, P. Sullivan, Grant, Kessler, Simpson, Morrell, Williams, O'Brien, Lantz, Eickmeyer, Chase, Haigh, Hasegawa, Hudgins and Moeller)

READ FIRST TIME 02/03/06.

1 AN ACT Relating to property tax exemptions for nonprofit
2 organizations for small business incubators which assist in the
3 creation and expansion of innovative small commercial enterprises;
4 adding a new section to chapter 84.36 RCW; adding a new section to
5 chapter 84.52 RCW; and creating new sections.

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

7 NEW SECTION. **Sec. 1.** The legislature finds that nonprofit
8 organizations and associations engaged in the education and training of
9 people, located in economically disadvantaged areas, who are involved
10 in the creation and expansion of businesses with marketable products
11 and services in a physical location provide many public benefits to the
12 people of the state of Washington. Therefore, the legislature finds
13 that it is in the best interest of the state to provide a limited
14 property tax exemption for the use of these facilities by certain
15 organizations in order to be self-sustaining for their exempt purposes.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
17 to read as follows:

1 (1) The real and personal property owned or used by a nonprofit
2 organization is exempt from property taxes levied for any state purpose
3 if the property is:

4 (a) Located in an economically distressed area; and

5 (b) Used to provide shared use of equipment and work areas and
6 daily technical resources and daily management support services that
7 enable small start-up and emerging businesses to become successful.

8 (2) The organization or association must meet all of the additional
9 following conditions:

10 (a) The organization is organized and conducted for nonsectarian
11 purposes;

12 (b) The organization is qualified for exemption under section
13 501(c)(3) of the federal internal revenue code; and

14 (c) The organization is governed by a volunteer board of directors
15 of at least five members.

16 (3) In 2010 any nonprofit organization claiming the exemption under
17 subsection (1) of this section must report to the department the number
18 of businesses served by the nonprofit and the types of services
19 provided. Nonprofits failing to report to the department are
20 ineligible for the exemption under subsection (1) of this section. The
21 department shall compile the information and share it with the
22 appropriate committees of the legislature.

23 (4) For the purposes of this section, the following definitions
24 apply:

25 (a) "Economically distressed area" means a rural county as defined
26 in RCW 82.14.370, a county with a community empowerment zone under RCW
27 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

28 (b) "Emerging business" means a business that is: (i) Engaged in
29 activities related to the development of initial product or service
30 offerings, such as prototype development or establishment of initial
31 production or services processes; (ii) less than five years old and
32 during the previous fiscal year had gross revenues of no more than two
33 million dollars; or (iii) in a growth mode, expanding its operation or
34 its market.

35 (c) "Start-up business" means a formal business venture that: (i)
36 Is involved in activities related to the development of initial product
37 or service offerings, such as prototype development or establishment of

1 initial production or services processes; (ii) is less than three years
2 old and during the previous fiscal year had gross revenues of no more
3 than two million dollars; and (iii) has fewer than twenty employees.

4 (5) The exemption may not be taken for taxes due after January 1,
5 2016.

6 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.52 RCW
7 to read as follows:

8 The levy for the state in any year shall be reduced as necessary to
9 prevent exemptions under section 2 of this act resulting in a higher
10 tax rate than would have occurred in the absence of the exemptions in
11 section 2 of this act.

12 NEW SECTION. **Sec. 4.** This act applies to taxes levied for
13 collection in 2007 and thereafter.

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