
SUBSTITUTE HOUSE BILL 1796

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Finance (originally sponsored by Representatives Conway, Orcutt, Pettigrew, Ericks, Chase, Green, Haler, Dunn, Hankins, Hasegawa, Appleton, Kenney, Santos, VanDeWege, Simpson, Goodman, Morrell and Lantz)

READ FIRST TIME 03/05/07.

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; and creating new sections.

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

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

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

17 (1) The real and personal property owned or used by a nonprofit

1 organization is exempt from property taxes levied for any state purpose
2 if the property is:

- 3 (a) Located in an economically distressed area; and
- 4 (b) Used to provide shared use of equipment and work areas and
5 daily technical resources and daily management support services that
6 enable small start-up and emerging businesses to become successful.

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

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

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

13 (c) The organization is governed by a volunteer board of directors
14 of at least five members; and

15 (d) The organization charges fair market rent to the businesses
16 that use that organization's work areas.

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

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

26 (a) "Economically distressed area" means a rural county as defined
27 in RCW 82.14.370, a county with a community empowerment zone under RCW
28 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

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

36 (c) "Start-up business" means a formal business venture that: (i)
37 Is involved in activities related to the development of initial product
38 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.** This act applies to taxes levied for
7 collection in 2008 and thereafter.

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