

HOUSE BILL REPORT

HB 2439

As Reported by House Committee On: Finance

Title: An act relating to exempting church property used by a nonprofit organization conducting activities related to a farmers market from property taxation.

Brief Description: Exempting church property used by a nonprofit organization conducting activities related to a farmers market from property taxation.

Sponsors: Representatives Short, Ericks, Crouse, Orcutt, Johnson, Taylor, Ormsby, Angel, Chandler, Shea, Kretz, Chase, Williams, McCune, Smith and Bailey.

Brief History:

Committee Activity:

Finance: 1/15/10, 2/9/10 [DPS].

Brief Summary of Substitute Bill

- Exempts from property tax church property loaned or rented to a nonprofit organization for the purpose of a farmers market.
- Limits the use of church property for this purpose to 53 days each year.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Susan Howson (786-7142).

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Several property tax exemptions exist for nonprofit organizations. Facilities of the following organizations are eligible for property tax exemptions: character building, benevolent, protective or rehabilitative social service organizations; 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, medical research or training facilities, art, scientific, and historical collections; sheltered workshops, fair associations, humane societies, water distribution property, schools and colleges, radio/television rebroadcast facilities, daycare centers, free public libraries, orphanages, nursing homes, hospitals, outpatient dialysis facilities, homes for the aging, day care centers, performing arts properties, homeless shelters, and blood banks.

The property tax exemption available for churches is limited to five acres including grounds covered by the church, parsonage, convent, maintenance buildings, and parking. Unoccupied ground cannot exceed one-third acre (120 by 120 feet). Church property may be loaned or rented to nonprofit organizations for charitable purposes if the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses.

Summary of Substitute Bill:

Church property that is loaned or rented to a nonprofit organization for the purpose of a farmers market is exempt from property tax. Use of the property for this purpose is limited to 53 days each year.

A "qualifying farmers market" is the same as defined in current law for domestic wine sales at farmers markets. A qualifying farmers market is an entity that sponsors a regular assembly of vendors at a defined location for the purpose of promoting the sale of agricultural products grown or produced in Washington directly to the consumer. Several minimum requirements must be met including: (1) at least five participating vendors are farmers selling their own agricultural products; (2) the total combined gross annual sales of vendors who are farmers must exceed the total combined gross annual sales of vendors who are processors or resellers; (3) the total combined gross annual sales of vendors who are farmers, processors, or resellers must exceed the total combined gross annual sales of vendors who are not farmers, processors, or resellers; (4) the sale of imported items and secondhand items by any vendor is prohibited; and (5) no vendor is a franchisee.

The bill applies to taxes levied for collection in 2011 through 2020. The property tax exemption expires December 31, 2020.

Substitute Bill Compared to Original Bill:

The use of church property for activities related to a farmers market is limited to 53 days per year. The definition of a farmers market is replaced with an existing statutory definition which provides income requirements, a certain minimum number of participating vendors, and other conditions. The exemption is limited to 10 years.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Local family farms are important to a lot of local areas and we need to help them. Churches are about supporting their communities, not about making money. Farmers markets are a service to the community. They bring consumers and farmers together and make healthy produce available. These churches have not had to pay the property tax before, and doing so would greatly hinder their ability to serve their communities.

(Opposed) None.

Persons Testifying: Representative Short, prime sponsor; and Craig Goodwin, Millwood Presbyterian Church.

Persons Signed In To Testify But Not Testifying: None.