

SENATE BILL REPORT

SB 5680

As Passed Senate, March 10, 2009

Title: An act relating to the property tax exemption for nonprofit artistic, scientific, historical, and performing arts organizations.

Brief Description: Modifying the property tax exemption for nonprofit artistic, scientific, historical, and performing arts organizations.

Sponsors: Senators Jarrett, Zarelli, Shin, Kohl-Welles and Oemig.

Brief History:

Committee Activity: Ways & Means: 2/19/09, 3/02/09 [DP].
Passed Senate: 3/10/09, 48-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hewitt, Hobbs, Honeyford, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Parlette, Pridemore, Regala, Rockefeller and Schoesler.

Staff: Dean Carlson (786-7305)

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.

Property tax exempt property must be used exclusively for the actual operation of the activity for which the exemption was granted. Generally the property may be loaned or rented if (1) the rent received for the use of the property is reasonable and does not exceed maintenance and operation expenses; and (2) the organization renting the property would be exempt from tax if it owned the property.

Exemptions for renting the property to nonexempt organizations are provided for public assembly halls (use for pecuniary gain limited to 15 days a year); war veterans organizations (use for pecuniary gain limited to 15 days a year), character building, benevolent, protective, or rehabilitative social service organizations (all nonexempt users limited to 15 days for

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organizations located in counties with population less than 20,000); schools and colleges (use for pecuniary gain limited to seven days a year), scientific and historical collections, as well as performing arts properties (all nonexempt users limited to 25 days of which seven can be for pecuniary gain).

Summary of Bill: Nonprofit associations that maintain and exhibit historical, scientific, or artistic collections, as well as performing arts associations, may retain their property tax exemption when they allow another organization that does not qualify for the property tax exemption to use or rent their exempt property.

The number of days that property may be used for these purposes is increased from 25 to 50 days per year. The number of days the property may be used for profit-making business activities is increased from seven days to 15 days.

The time used for setup and takedown activities preceding or following a meeting or other event does not count against the 15- and 50-day limitations. Rental charges are no longer limited to an amount that does not exceed the maintenance and operation expenses created by the user.

Appropriation: None.

Fiscal Note: Requested on February 17, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This will allow many of our alliance members to better serve their communities. Museums and performing art centers have been adhering to the 2003 law. However, this law is still too restrictive. Much needed earned revenue is being lost by facilities whose fund raising levels have been reduced. This will help nonprofits to earn more money without jeopardizing their property exemption. When nonprofits can open their doors more often to community events, it benefits the community. The bill is important because our mission is to serve a diverse community. We are limited to rent to ethnic groups. This will also diversify our income, and rental income is important to our budget. As a theater we don't compete with hotels. This will increase the rentals rather than restrict them.

Persons Testifying: PRO: Mary Langholz, Washington State Arts Alliance; Patricia Pepper, The Evergreen City Ballet, Renton Municipal Arts Commission; Dan Meyer, Kirkland Performance Center.