

SENATE BILL REPORT

SB 5017

As of January 28, 2011

Title: An act relating to providing a property tax exemption for property held under lease, sublease, or lease-purchase by a nonprofit organization that provides job training, placement, or preemployment services.

Brief Description: Providing a property tax exemption for property held under lease, sublease, or lease-purchase by a nonprofit organization that provides job training, placement, or preemployment services.

Sponsors: Senators Regala, Honeyford, Kastama, Pridemore, Delvin, Kilmer, Kline, Shin, Conway, Hewitt and Haugen.

Brief History:

Committee Activity: Ways & Means: 1/27/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: All real and personal property in Washington State is subject to property tax, unless a specific exemption is provided by law. There are exemptions for certain properties, including property owned by federal, state, and local governments, churches, farm machinery, and business inventory.

Property owned by nonsectarian, nonprofit organizations used for character-building, benevolent, protective, or rehabilitative social services for people of all ages is exempt from property taxation. Sale of donated goods does not nullify this exemption if the proceeds are devoted to the furtherance of the character-building, benevolent, protective, or rehabilitative social services purposes of the nonprofit organization.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Substitute): Property primarily used for providing job training, placement, or preemployment services or for supporting job training, placement, or preemployment services through the sale of donated goods may be eligible for a property tax, under certain circumstances. The property must be leased by an organization or association which otherwise meets the requirements of the nonsectarian, nonprofit organization property

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tax exemption. Further, the organization must be exempt from federal income taxation under 26 U.S.C. Sec. 501(c)(3) of the federal Internal Revenue Code. Also, the lease, sublease, or lease purchase agreement must expressly require the organization or association which is lessee or sublessee to pay any property taxes for the leased or subleased property.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Applies to taxes levied for collection in 2012 and thereafter.

Staff Summary of Public Testimony: PRO: A property tax exemption for these kinds of leased property would help organizations like Goodwill to serve more people by directing more money to services. This would help these organizations serve more people and would save the state money. At a time of significant need, this is a terrific public benefit. Goodwill serves populations in the lower third of the economy by selling donated goods at retail stores and providing entry level jobs in order for clients to gain experience; further, the retail stores raise funds to support job training programs. Triple net leases require the lessee to pay a square-footage rental amount, insurance, and the property tax. Thus, the tax benefit would be transparent. This change would bring leased property by these organizations in line with the exemption they may claim for owned property. This limited exemption puts money back into the organization and its job-training activities. The term of many of these leases is ten years. An exemption like this could provide leverage in the property leasing market for qualified organizations. As smaller organizations attempt to get leases, the market rates can cost them out. This is a win for the state, communities, nonprofit organizations, property owners, and clients.

Persons Testifying: PRO: Senator Regala, prime sponsor; Terry Hayes, Tacoma Goodwill; Phil Watkins, Goodwill Industries; Tracey Groscost, Pioneer Human Services; Sue Allen, Capital Clubhouse.