

# SENATE BILL REPORT

## SB 6600

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As Reported by Senate Committee On:  
Ways & Means, February 27, 2012

**Title:** An act relating to extending property tax exemptions to property used exclusively by certain nonprofit organizations that is leased from an entity that acquired the property from a previously exempt nonprofit organization.

**Brief Description:** Extending property tax exemptions to property used exclusively by certain nonprofit organizations that is leased from an entity that acquired the property from a previously exempt nonprofit organization.

**Sponsors:** Senator Eide.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/12, 2/27/12 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6600 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Brown, Conway, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Padden, Pridemore, Regala, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**Background:** Under current law, property, including buildings and improvements, owned by a nonprofit organization or association engaged in youth character building activities are exempt from the property tax. In addition churches are exempt from property tax.

Property leased to a nonprofit organization engaged in youth character building activities – and some other activities – are not exempt from property tax, unless that property is owned by an organization that is otherwise exempt from the property tax.

Currently, there is a situation where a church is leasing property to a for profit youth character building organization, who, in turn, is subleasing the property to a nonprofit youth character

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building organization. Since the for profit organization is in the middle of this transaction, the property is subject to property tax.

**Summary of Bill (Recommended Substitute):** Property remains eligible for a property tax exemption for youth character building activities, if the property is owned by a property tax exempt church or other nonprofit organization which is exempt from property taxation that leases the property to another organization for the same exempt purposes, provided that:

- the property is owned by an entity formed exclusively for the purpose of leasing the property to an organization, which will use the property for the exempt purposes;
- the property is leased to an organization, which uses the property for the exempt purposes;
- the immediate previous owner of the property had received an exemption for the property; and
- the benefits of the exemption must be passed on to the lessee of the property.

These provisions are in effect for nonprofit youth character building organizations, nonprofit nonsectarian organizations which provide character building, protective or rehabilitative social services for all ages, veterans relief organizations, church camp facilities, and nonprofit organization that issue debt for student loans or that are guarantee agencies.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The benefits of the exemption must be passed on to the lessee of the property. A technical change was made.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony on Original Bill:** PRO: The assessors are supportive of the intent of the bill, but would like some proposed language changes. We would like to make sure that the benefit of the exemption ensures the non profit. Young life would like to buy a part of the church property but the way it was set up, we had a taxable situation.

**Persons Testifying:** PRO: Monty Cobb, WA Assn. of County Officials; Trent Erickson, Steel Lake Presbyterian Church.