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**Finance Committee**

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**HB 2345**

**Brief Description:** Providing greater consistency in how nonprofit tax-exempt property may be used without jeopardizing the property's tax-exempt status.

**Sponsors:** Representatives Carlyle, Nealey and Vick; by request of Department of Revenue.

**Brief Summary of Bill**

- Increases consistency of guidelines for nonexempt use of tax-exempt property of nonprofit organizations.

**Hearing Date:** 1/21/14

**Staff:** Richelle Geiger (786-7175).

**Background:**

All real and personal property in this state is subject to property tax each year based on its value, unless a specific exemption is provided by law. Several property tax exemptions exist for property owned by churches and a variety of other nonprofit organizations, including schools, camps, veteran organizations, blood and tissues banks, public assembly halls, ecological education and conservation organizations. On a limited basis, nonexempt activity is allowed on tax exempt property of nonprofit organizations. The nonexempt activities permitted and conditions under which these nonexempt activities are allowed vary among nonprofit organizations.

**Summary of Bill:**

Standardized criteria are established regarding the nonexempt use of tax-exempt property owned by nonprofit organizations.

In order to qualify for the tax-exemption, nonprofit organizations must satisfy the following conditions; (1) rent and donations received from the use of the property is reasonable and does

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not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented, (2) fund raising events are permitted if they are consistent with the purpose of the exempt organization, (3) exempt property may be used for nonexempt purposes for no more than 50 days within a calendar year and (4) exempt property may be used for pecuniary gain or to promote business activities for no more than 15 days in a calendar year. Activities related to farmers markets on exempt church property may occur no more than 53 days within each assessment year.

If these conditions are violated, the exemption is removed for the affected portion of property for that assessment year.

**Appropriation:** None.

**Fiscal Note:** Available.

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