

# SENATE BILL REPORT

## SB 6000

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As of February 7, 2014

**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 O'Ban, Kline, Hewitt, Darneille, Brown, Fain, Dammeier, Honeyford and Baumgartner.

**Brief History:**

**Committee Activity:** Trade & Economic Development: 1/21/14, 2/06/14 [DPF].

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Staff :** Jeff Olsen (786-7428)

**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.

In addition to property that is owned, in certain cases property that is used by a qualifying nonprofit organization also may qualify for a property tax exemption. For example, property used by nonprofit homes for the aging, nonprofit child care centers, and nonprofit cancer clinics is exempt under certain circumstances.

**Summary of Bill:** Property leased by a nonprofit organization and primarily used for providing job training, placement, or preemployment services is eligible for a property tax

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exemption. The property must be leased by a nonprofit organization or a nonprofit organization's sublessee. The nonprofit organization must also 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 the lessee or sublessee to pay any property taxes for the leased or subleased property.

Legislative intent for the tax preference, and performance expectations to measure the effectiveness of the exemption are established. In addition, a person claiming an exemption must provide information detailing the number of individuals receiving job training and assistance to the Department of Revenue annually.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** Ninety days after adjournment of session in which bill is passed. Applies to taxes levied for collection in 2015 through 2024.

**Staff Summary of Public Testimony:** PRO: We support this bill because it allows nonprofits that provide job training to use more of their resources to perform those important employment services. Buildings that Goodwill own are exempt from tax, but not facilities that are leased.

The property tax exemption is revenue neutral to the state, and will only result in a \$0.22 tax shift per \$1,000 of value to other properties. The recession is not over in Washington, and a large number of people are seeking work. Goodwill Industries provides services to people in the lower one-third of our economy in areas with high unemployment. Last year Goodwill prepared 26,000 people to get ready to work. If this bill passes, Goodwill could serve an additional 1725 people.

OTHER: Assessors are concerned about exemptions that shift tax burden to other taxpayers. It is not clear if the property tax exemption is structured consistently.

**Persons Testifying:** PRO: Senator O'Ban, prime sponsor; Phil Watkins, Goodwill; Terry Hayes, Tacoma Goodwill; Betsy McFeely, Seattle Goodwill Industries.

OTHER: Monty Cobb, WA Assn. of County Officials.