

HOUSE BILL REPORT

HB 1391

As Reported by House Committee On: Finance

Title: An act relating to a property tax exemption for land owned by a nonprofit organization and designated as a master planned location for major industrial activity.

Brief Description: Concerning a property tax exemption for land owned by a nonprofit organization and designated as a master planned location for major industrial activity.

Sponsors: Representatives DeBolt and Orcutt.

Brief History:

Committee Activity:

Finance: 1/24/17, 2/21/17 [DPS].

Brief Summary of Substitute Bill

- Provides a property tax exemption for property owned by a nonprofit organization within an area designated as a master planned location for major industrial activity.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Staff: Richelle Geiger (786-7139).

Background:

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Nonprofit organizations are not generally exempt from taxes in Washington and are required to pay taxes in the same manner as other entities. Property tax exemptions are available to qualifying nonprofit organizations, including schools, churches, cemeteries, hospitals, social service agencies, character building organizations,

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nursing homes, homes for the aging, museums, and public meeting halls. Nonprofit organizations engaged in artistic performances for the general public can qualify for a property tax exemption on the property used for these purposes. Labor unions and fraternal organizations can qualify if their property is used exclusively for an activity exempt by law.

The Industrial Park at TransAlta (IPAT), a 501(c)(3) organization, owns 1,000 acres of an industrial site in Lewis County that was formerly a surface coal mining operation. Coal mining operations ceased in 2006. In 2007 the Legislature authorized Lewis County to identify the site as a master planned location for purposes of promoting major industrial activity located outside of an urban growth area.

In 2013 the Legislature passed Engrossed Substitute Senate Bill 5882, which requires tax preference legislation enacted, expanded, or extended after August 1, 2013, to include a tax performance statement. The performance statement must clearly specify the intent and public policy objective of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee (JLARC) to evaluate the efficacy of the tax preference. Engrossed Substitute Senate Bill 5882 also establishes an automatic 10-year expiration date for new tax preference if an alternative expiration date is not provided in the new tax preference legislation.

Summary of Substitute Bill:

All real property owned by a nonprofit that is within a master planned location for major industrial activity, outside urban growth areas or on land formerly used or designated for surface coal mining and supporting uses, is exempt from property tax. The property tax exemption does not apply to parcels that have been leased, gifted, or sold by the nonprofit organization.

The bill is not subject to the exclusive use provision for nonprofit property tax exemptions, and the taxpayer is not required to submit documentation to renew their exemption.

The tax preference performance statement provides that the intent of the bill is to improve industry competitiveness, and create or retain jobs. The public policy objective is to provide a property tax exemption for land owned by a nonprofit organization that seeks to market and sell its land holdings for industrial development in order to fulfill a mission recognized in state law; to redevelop land formerly used for coal mining activity.

The JLARC is directed to review the number of parcels that received the preference, and have been leased, sold, or gifted within seven years after the enactment of the tax preference. The JLARC may refer to data sources, including county assessor property records, to complete the review. The tax preference is subject to the automatic 10-year expiration date for new and expanded tax preferences.

The act applies to taxes levied for collection in 2018 and thereafter.

Substitute Bill Compared to Original Bill:

The bill is not subject to the exclusive use provision for nonprofit property tax exemptions and the taxpayer is not required to submit documentation to renew their exemption. The property tax exemption does not apply to parcels that have been leased, gifted, or sold by the nonprofit organization. The JLARC is directed to review the number of parcels that received the preference, and that have been leased, sold, or gifted within seven years after the enactment of the tax preference. The JLARC may refer to data sources, including county assessor property records, to complete the review. The tax preference is subject to the automatic 10-year expiration date for new and expanded tax preferences.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The IPAT donated 1,000 acres to the community to develop and create high-value jobs. The State of Washington and Lewis County have worked hard to bring jobs back to the region after the mine shut down. The objective is to develop the land and attract purchasers. However, the property tax burden is prohibiting further development of the land. Property tax payments currently represent approximately 8 percent of IPAT's operating expenses.

This bill represents a bridge for IPAT until the property is leased or sold. As soon as the parcels have a tenant, the property tax exemption will no longer apply. This bill is a tool in the toolbox for economic development in southwest Washington.

The IPAT has been working closely with Lewis County Economic Development Council and the Department of Commerce to attract projects of statewide significance.

(Opposed) None.

Persons Testifying: Representative DeBolt, prime sponsor; and Bob Guenther and Allyn Roe, Industrial Park at TransAlta.

Persons Signed In To Testify But Not Testifying: None.