

# SENATE BILL REPORT

## SB 6587

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As of January 29, 2020

**Title:** An act relating to exempting statewide fairs from state property taxes.

**Brief Description:** Exempting statewide fairs from state property taxes.

**Sponsors:** Senator Zeiger.

**Brief History:**

**Committee Activity:** Ways & Means: 1/29/20.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Exempts large nonprofit fairs from state property taxes.</li></ul>
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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** Property Taxes. 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. The tax bill is determined by multiplying the assessed value by the tax rate for each taxing district in which the property is located. The county treasurer mails a notice of tax due to taxpayers and collects the tax.

The real and personal property of a nonprofit fair association that sponsors or conducts a fair eligible to receive support from the fair fund is exempt from property taxation. The property must be used exclusively for fair purposes. Property that would not otherwise qualify may be exempt from taxation if the nonprofit fair association purchased or acquired the majority of such property between 1995 and 1998.

There is a statutory 1 percent limit on revenue growth for taxing districts. Under this

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revenue limit, the amount of revenue collected from regular—non-voter-approved—levies is restricted to a growth rate of 1 percent plus an additional adjustment for new construction occurring within the taxing district. The state levy is exempt from this requirement for taxes levied for collection in calendar years 2018 through 2021. Beginning in calendar year 2022, the 1 percent revenue limit is restored in its application to the state levy.

Requirements for New Tax Preferences. A tax preference is any exemption, exclusion, or deduction from the base of a state tax; a credit against a state tax; a deferral of a state tax; or a preferential state tax rate. All new tax preference legislation is required to include a tax preference performance statement. The performance statement must clearly specify the public policy objectives of the tax preference, and the specific metrics and data that will be used by the Joint Legislative Audit and Review Committee to evaluate the efficacy of the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternate expiration date is not provided in the new tax preference legislation.

**Summary of Bill:** The property of a nonprofit state fair foundation is exempt from state property taxes beginning in calendar year 2021. A "nonprofit state fair foundation" is defined as an organization that is tax exempt for federal income tax purposes and owns real and personal property in excess of \$50 million. The property must be used exclusively for fair purposes to be eligible for the exemption. The loan or rental of the property to a private concessionaire or any person for use as a concession does not nullify the exemption as long as concession charges are subject to agreement, and any rental income is reasonable and devoted solely to maintenance and operation of the property.

State property tax rates may not be increased to offset the fiscal impact of the property tax exemption.

The bill is exempt from the requirements for new tax preferences.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: Most fairs are exempt from all property taxes, including those fairs that are eligible for the state fair fund. The Washington State Fair is an outlier as it does not receive money from the state fair fund and therefore it is not eligible or otherwise qualify for an exemption under our state law. This is not a full exemption from all property taxes but just the state portion. The state fair provides a public benefit for the whole state that includes cultural programming, seasonal employment for

hundreds of people, the promotion of the arts, and the economic activity that generates a lot of other tax revenue to state and local governments. The Washington State Fair is one of only a handful of fairs nationwide that pays any property tax. An important part of our mission is education and a vital part of that mission is agricultural education at a time when more and more children, and adults as well, think that our food comes from the back of a grocery store and chocolate milk comes from brown cows. Therefore, keeping people informed about their food is vitally important. The money necessary to produce our educational programs, which includes the Washington junior poultry show and the Northwest junior livestock show, is derived solely from our operating revenues. We not only provide facilities, but also provide those associations with a cash allocation to help them offset the cost of operations. The fair also produces several nontraditional educational programs, including traveling farm shows to various elementary schools up and down the I-5 corridor to bring the farm experience to over 10,000 school children annually. The state fair does so at no cost to those schools. The direct cost to the fair for these programs is approximately \$1.4 million. We hope to open an agricultural learning center that could feature a birthing center, a high tech sustainable model farm, and possibly a community garden. These things require money to build and operate.

**Persons Testifying:** PRO: Senator Hans Zeiger, Prime Sponsor; Kent Hojem, Washington State Fair/ CEO.

**Persons Signed In To Testify But Not Testifying:** No one.