

HOUSE BILL REPORT

SB 5505

As Reported by House Committee On:
Finance

Title: An act relating to reinstating a property tax exemption for property owned by certain nonprofit organizations where a portion of the property is used for the purpose of a farmers market.

Brief Description: Reinstating a property tax exemption for property owned by certain nonprofit organizations where a portion of the property is used for the purpose of a farmers market.

Sponsors: Senators Rolfes, Warnick, Hasegawa, Lovelett, Lovick, Mullet, Pedersen, Van De Wege, Wagoner and Wilson, C..

Brief History:

Committee Activity:

Finance: 2/22/22, 2/24/22 [DP].

Brief Summary of Bill

- Allows public meeting halls and churches that are property tax exempt to conduct qualifying farmers markets without losing the property tax exemption.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 16 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick and Wylie.

Staff: Tracey Taylor (786-7152).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Property Tax Exemptions for Nonprofits.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. Some nonprofits are eligible for a property tax exemption, which is dependent on specifically identified qualifying activities being conducted on the property. Examples of organizations that may receive a property tax exemption for their property are schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, performing arts facilities, and public meeting halls.

Nonprofit organizations seeking an exemption for their property based on qualifying activities may not use the exempt property for business purposes for more than 15 days each year. The nonprofit is also restricted to loaning or renting the property to individuals or organizations for nonexempt purposes for no more than 50 days per year.

For public meeting halls that are owned by a nonprofit to qualify for an exemption, the property must be used for public gatherings and be available to all organizations or individuals that desire to use the property. Membership may not be a prerequisite for the use of the property. The use of the property for business activities may disqualify the property for the exemption.

Churches are eligible for a property tax exemption if they conduct activities that are wholly used for church purposes and the land does not exceed five acres.

For property taxes levied for collection from 2011 through 2020, a provision existed to allow churches and public assembly halls to host farmers markets for an additional 53 days a year without losing a property tax exemption. That provision expired on December 31, 2020.

Tax Preference Performance Statements and Expiration.

Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Public meeting halls and churches owned by a nonprofit may use their exempted property to conduct a qualifying farmers market for more than 53 days each year. All income received from rental or use of exempt property is to be used for capital improvements to exempt property, maintenance and operation of the exempt property, or for exempt purposes.

The exemption applies retroactively and prospectively to taxes levied for collection in 2021 and thereafter.

The act is exempt from the requirements of a TPPS, a JLARC review, and the automatic 10-year expiration for tax preferences.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) There are 115 farmers markets throughout Washington. They provide fresh, locally produced food to members of our community, including those on the Special Supplemental Nutritional Program for Women, Infants, and Children, the Supplemental Nutrition Assistance Program, and fixed incomes. In addition to providing fresh food to our communities, farmers markets provide an important venue for our farmers. In 2010 the Legislature recognized that providing space for farmers markets was an important public policy goal. With the implementation of the tax exemption for nonprofits and churches that provide space for farmers markets for up to 53 days per year, Washington successfully expanded the ability for farmers and local businesses to have a venue to provide access to food and products to the community. For example, Friday Harbor has a year-round farmers market with 50 small businesses and farmers with annual sales of \$450,000. The role of the nonprofit landlord for this farmers market is critical to its success and it will be forced to evict the farmers market if the limit returns to 15 days. These spaces are vacant and unused for much of the week and this tax exemption provides a public benefit with little cost. In many areas, there are few alternative locations, even if the farmers markets could afford higher rents. The expiration of the tax exemption on December 31, 2020, has left farmers markets, churches, and nonprofits in limbo and the future of the farmers markets are in jeopardy.

(Opposed) None.

Persons Testifying: Colleen Donovan, Washington State Farmers Market Association; Lars Sorenson, Brickworks; and Elizabeth Paruchuru, Bellevue Farmers Market.

Persons Signed In To Testify But Not Testifying: None.