

SENATE BILL REPORT

SB 5697

As Reported by Senate Committee On:
Ways & Means, February 27, 2025

Title: An act relating to providing a property tax exemption for property owned by a qualifying nonprofit organization and loaned, leased, or rented to and used by any government entity to provide character-building, benevolent, protective, or rehabilitative social services.

Brief Description: Providing a property tax exemption for property owned by a qualifying nonprofit organization and loaned, leased, or rented to and used by any government entity to provide character-building, benevolent, protective, or rehabilitative social services.

Sponsors: Senators Slatter, Dhingra, Nobles and Valdez.

Brief History:

Committee Activity: Ways & Means: 2/18/25, 2/27/25 [DP, w/oRec].

Brief Summary of Bill

- Exempts property owned by a nonsectarian nonprofit organization from property taxes if the organization loans, leases, or rents the property to any government entity, a federally recognized Indian tribe located in Washington, or another nonprofit organization using the property to provide character-building, benevolent, protective, or rehabilitative social services.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Cleveland, Conway, Dhingra, Hansen, Kauffman, Muzzall, Pedersen, Riccelli, Saldaña, Wellman and Wilson, C..

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.

Minority Report: That it be referred without recommendation.

Signed by Senators Dozier, Assistant Ranking Member, Capital; Boehnke, Braun, Hasegawa, Wagoner and Warnick.

Staff: Tianyi Lan (786-7432)

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. Nonprofit organizations, though exempt from federal taxes, are not generally exempt from property taxes in Washington. Organizations must exclusively use their property to conduct an activity specifically exempted by the Legislature to qualify. Schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, performing arts facilities, and public meeting halls are examples of organizations that may receive a property tax exemption.

Property Tax Exemption for Nonsectarian Nonprofits. Property owned by a nonsectarian nonprofit organization used for character-building, benevolent, protective, or rehabilitative social services is exempt from property tax.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement 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 ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

Summary of Bill: Property owned by a nonsectarian nonprofit organization is exempt from property taxes if the organization loans, leases, or rents the property to any government entity, a federally recognized Indian tribe located in Washington, or another nonprofit organization using the property to provide character-building, benevolent, protective, or rehabilitative social services.

The exemption is not subject to the automatic ten-year expiration date or JLARC review.

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: Currently, the Department of Revenue interprets the tax exemption in a narrow way and applies a rule to charge property taxes on spaces used by other nonprofits to provide social services on site. The bill clarifies the tax code to eliminate the drag on existing social purpose real estate. It clarifies the property tax exemption for nonprofit organization in the state to allow for more social services to lower barriers to access and increase collaboration and connection between nonprofits.

OTHER: The Department of Revenue administers the tax exemption as counties administer the property tax. The legislation is administrable and easy for taxpayers to comply.

Persons Testifying: PRO: Kim Sarnecki, Together Center; Melissa Stuart, Together Center.

OTHER: Kate Armstrong, Department of Revenue.

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