
HOUSE BILL 2193

State of Washington

63rd Legislature

2014 Regular Session

By Representatives Muri, Seaquist, Walsh, Nealey, Stonier, Zeiger, and Kochmar

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1 AN ACT Relating to providing a property tax exemption for property
2 held under lease, sublease, or lease-purchase by a nonprofit
3 organization that provides job training, placement, or preemployment
4 services; amending RCW 84.36.030 and 82.32.534; and creating new
5 sections.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** (1) The legislature finds that nonprofit
8 organizations that provide job training, job placement, and
9 preemployment services are an important part of the economy. The
10 legislature further finds that property leased by a nonprofit
11 organization for the provision of job training, placement, or
12 preemployment services is subject to property tax while property owned
13 by the organization and used for identical purposes is exempt from
14 property tax.

15 (2)(a) This subsection is the tax preference performance statement
16 for the property tax exemption provided in RCW 84.36.030. The
17 performance statement is only intended to be used for subsequent
18 evaluation of the tax preference. It is not intended to create a

1 private right of action by any party or be used to determine
2 eligibility for preferential tax treatment.

3 (b) The legislature categorizes this tax preference as one intended
4 to accomplish the general purposes indicated in RCW 82.32.808(2) (c)
5 and (d).

6 (c) It is the legislature's specific public policy objective to
7 remedy a structural inefficiency in the current tax code, and
8 additionally, to provide an organization claiming the exemption under
9 RCW 84.36.030(1)(d) with a greater amount of financial resources to
10 dedicate to job training, education, and placement.

11 (d) To measure the effectiveness of the exemption provided in this
12 act in achieving the specific public policy objective described in (c)
13 of this subsection, the joint legislative audit and review committee
14 shall evaluate the following:

15 (i) Changes in the number of people served by the organization's
16 job training and education programs;

17 (ii) Changes in the number of individuals placed into jobs who
18 received job training or education assistance by the organization;

19 (iii) Changes in the number of locations owned and leased by the
20 organization providing job training or education programs.

21 (e)(i) The information provided in the annual report submitted by
22 the organization under RCW 82.32.534 is intended to provide the
23 informational basis for the evaluation under (d) of this subsection.

24 (ii) In addition to the data source described under (e)(i) of this
25 subsection, the joint legislative audit and review committee may use
26 any other data it deems necessary in performing the evaluation under
27 (d) of this subsection.

28 **Sec. 2.** RCW 84.36.030 and 2006 c 305 s 1 are each amended to read
29 as follows:

30 The following real and personal property (~~shall be~~) are exempt
31 from taxation:

32 (1)(a) Property owned by nonprofit organizations or associations,
33 organized and conducted for nonsectarian purposes, which shall be used
34 for character-building, benevolent, protective or rehabilitative social
35 services directed at persons of all ages.

36 (b) The sale of donated merchandise (~~shall~~) is not (~~be~~)

1 considered a commercial use of the property under this section if the
2 proceeds are devoted to the furtherance of the purposes of the selling
3 organization or association as specified in this subsection (1).

4 (c) In a county with a population of less than twenty thousand, the
5 rental or use of property, owned by a nonprofit organization or
6 association described in (a) of this subsection, by a person, group, or
7 organization in one of the following ways (~~shall~~) does not nullify
8 the exemption:

9 (i) The property may be rented or used for pecuniary gain or for
10 business activities or by individuals, groups, and organizations for
11 private purposes if the rental or use:

12 (A) Does not exceed fifteen days each assessment year;

13 (B) No comparable private for-profit facility exists within ten
14 miles of the property that could be used for the same purpose for which
15 the property is loaned or rented; and

16 (C) All income from the rental or use of the exempt property is
17 used for capital improvements to the exempt property, maintenance and
18 operation of the exempt property, or for exempt purposes; or

19 (ii) The property is rented or used by a nonprofit community group
20 or other nonprofit organization that might not qualify for exemption if
21 it owned the property as long as the rental or use of the property:

22 (A) Does not exceed fifteen days each assessment year;

23 (B) Does not result in pecuniary gain;

24 (C) Does not involve business activities;

25 (D) Is always for the general public good; and

26 (E) All income from the rental or use of the exempt property is
27 used for capital improvements to the exempt property, maintenance and
28 operation of the exempt property, or for exempt purposes.

29 (d) Property primarily used for providing job training, placement,
30 or preemployment services or for supporting job training, placement, or
31 preemployment services through the sale of donated goods as provided in
32 (b) of this subsection (1) and which is leased by an organization or
33 association which otherwise meets the requirements in this subsection
34 (1) and is exempt from federal income taxation under 26 U.S.C. Sec.
35 501(c)(3) of the federal internal revenue code. To qualify for the
36 exemption, the lease, sublease, or lease-purchase agreement must
37 expressly require the organization or association which is lessee or

1 sublessee to pay any property taxes for the leased or subleased
2 property. An organization claiming an exemption under this subsection
3 (1)(d) must file an annual report under RCW 82.32.534.

4 (2) Property owned by any nonprofit church, denomination, group of
5 churches, or an organization or association, the membership of which is
6 comprised solely of churches or their qualified representatives, which
7 is utilized as a camp facility if used for organized and supervised
8 recreational activities and church purposes as related to such camp
9 facilities. The exemption provided by this (~~paragraph shall apply~~)
10 subsection applies to a maximum of two hundred acres of any such camp
11 as selected by the church, including buildings and other improvements
12 thereon.

13 (3) Property, including buildings and improvements required for the
14 maintenance and safeguarding of such property, owned by nonprofit
15 organizations or associations engaged in character building of boys and
16 girls under eighteen years of age, and used for such purposes and uses,
17 provided such purposes and uses are for the general public good(~~(+~~
18 ~~PROVIDED, That~~)). However, if existing charters provide that
19 organizations or associations, which would otherwise qualify under the
20 provisions of this (~~paragraph~~) subsection, serve boys and girls up to
21 the age of twenty-one years, then such organizations or associations
22 (~~shall be~~) are deemed qualified pursuant to this section.

23 (4)(a) Property owned by all organizations and societies of
24 veterans of any war of the United States, recognized as such by the
25 department of defense, which (~~shall have~~) has national charters, and
26 which (~~shall have~~) has for their general purposes and objects the
27 preservation of the memories and associations incident to their war
28 service and the consecration of the efforts of their members to mutual
29 helpfulness and to patriotic and community service to state and nation.
30 To be exempt such property must be used in such manner as may be
31 reasonably necessary to carry out the purposes and objects of such
32 societies.

33 (b) The use of the property for pecuniary gain or for business
34 activities, except as provided in this subsection (4), nullifies the
35 exemption otherwise available for the property for the assessment year.
36 The exemption is not nullified by:

37 (i) The collection of rent or donations if the amount is reasonable
38 and does not exceed maintenance and operation expenses.

1 (ii) Fund-raising activities conducted by a nonprofit organization.

2 (iii) The use of the property for pecuniary gain for periods of not
3 more than fifteen days in a year.

4 (c) An inadvertent use of the property in a manner inconsistent
5 with the purpose for which exemption is granted, if the inadvertent use
6 is not part of a pattern of use. A pattern of use is presumed when an
7 inadvertent use is repeated in the same assessment year or in two or
8 more successive assessment years.

9 (5) Property owned by all corporations, incorporated under any act
10 of congress, whose principal purposes are to furnish volunteer aid to
11 members of the armed forces of the United States and also to carry on
12 a system of national and international relief and to apply the same in
13 mitigating the sufferings caused by pestilence, famine, fire, floods,
14 and other national calamities and to devise and carry on measures for
15 preventing the same.

16 (6) Property owned by nonprofit organizations exempt from federal
17 income tax under (~~(section)~~) 26 U.S.C. Sec. 501(c)(3) of the federal
18 internal revenue code of (~~(1954)~~) 1986, as amended, that are guarantee
19 agencies under the federal guaranteed student loan program or that
20 issue debt to provide or acquire student loans.

21 (7) To be exempt under this section, the property must be used
22 exclusively for the purposes for which exemption is granted, except as
23 provided in RCW 84.36.805.

24 (8) For the purposes of this section, "general public good" means
25 members of the community derive a benefit from the rental or use of the
26 property by the nonprofit community group or organization.

27 **Sec. 3.** RCW 82.32.534 and 2010 c 114 s 103 are each amended to
28 read as follows:

29 (1)(a) Every person claiming a tax preference that requires a
30 report under this section must file a complete annual report with the
31 department. The report is due by April 30th of the year following any
32 calendar year in which a person becomes eligible to claim the tax
33 preference that requires a report under this section. The department
34 may extend the due date for timely filing of annual reports under this
35 section as provided in RCW 82.32.590.

36 (b) The report must include information detailing employment,
37 wages, and employer-provided health and retirement benefits for

1 employment positions in Washington for the year that the tax preference
2 was claimed. However, persons engaged in manufacturing commercial
3 airplanes or components of such airplanes may report employment, wage,
4 and benefit information per job at the manufacturing site for the year
5 that the tax preference was claimed. The report must not include names
6 of employees. The report must also detail employment by the total
7 number of full-time, part-time, and temporary positions for the year
8 that the tax preference was claimed.

9 (c) Persons receiving the benefit of the tax preference provided by
10 RCW 82.16.0421 or claiming any of the tax preferences provided by RCW
11 82.04.2909, 82.04.4481, 82.08.805, 82.12.805, or 82.12.022(5) must
12 indicate on the annual report the quantity of product produced in this
13 state during the time period covered by the report.

14 (d) In lieu of the information required under (b) of this
15 subsection (1), a person claiming an exemption under RCW
16 84.36.030(1)(d) must submit information in the report detailing:

17 (i) The number of individuals receiving job training and education
18 assistance during the year covered under the report;

19 (ii) The number of individuals who gained employment through job
20 training and education assistance provided by the person during the
21 year covered by the report; and

22 (iii) The number of locations in which the person operates and
23 whether the facility at each location is owned or leased by the person.

24 (e) If a person filing a report under this section did not file a
25 report with the department in the previous calendar year, the report
26 filed under this section must also include (~~employment, wage, and~~
27 ~~benefit information~~) the information required under this subsection
28 for the calendar year immediately preceding the calendar year for which
29 a tax preference was claimed.

30 (2) As part of the annual report, the department may request
31 additional information necessary to measure the results of, or
32 determine eligibility for, the tax preference.

33 (3) Other than information requested under subsection (2) of this
34 section, the information contained in an annual report filed under this
35 section is not subject to the confidentiality provisions of RCW
36 82.32.330 and may be disclosed to the public upon request.

37 (4) Except as otherwise provided by law, if a person claims a tax
38 preference that requires an annual report under this section but fails

1 to submit a complete report by the due date or any extension under RCW
2 82.32.590, the department must declare the amount of the tax preference
3 claimed for the previous calendar year to be immediately due and
4 payable. The department must assess interest, but not penalties, on
5 the amounts due under this subsection. The interest must be assessed
6 at the rate provided for delinquent taxes under this chapter,
7 retroactively to the date the tax preference was claimed, and accrues
8 until the taxes for which the tax preference was claimed are repaid.
9 Amounts due under this subsection are not subject to the
10 confidentiality provisions of RCW 82.32.330 and may be disclosed to the
11 public upon request.

12 (5) The department must use the information from this section to
13 prepare summary descriptive statistics by category. No fewer than
14 three taxpayers may be included in any category. The department must
15 report these statistics to the legislature each year by October 1st.

16 (6) For the purposes of this section:

17 (a) "Person" has the meaning provided in RCW 82.04.030 and also
18 includes the state and its departments and institutions.

19 (b) "Tax preference" has the meaning provided in RCW 43.136.021 and
20 includes only the tax preferences requiring a survey under this
21 section.

22 NEW SECTION. **Sec. 4.** This act applies to taxes levied for
23 collection in 2015 through 2024.

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