Multiple Agency Fiscal Note Summary

Bill Number: 1967 S HB	**Title:** Nonprofits/property tax

Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

NONE

FNPID 64977

FNS029 Multi Agency rollup

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/18/2022

Department of Revenue Fiscal Note

Bill Number: 1967 S HB	Title: Nonprofits/property tax	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☒ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Dawn Eychaner	Phone: 360-786-7135	Date: 02/10/2022
Agency Preparation:	Mark Studer	Phone: 360-534-1507	Date: 02/17/2022
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 02/17/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 02/17/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects language in SHB 1967, 2022 Legislative Session.

CURRENT LAW:
Nonprofit organizations may be eligible for an exemption from property tax. However, in most situations, nonprofit ownership is required to qualify for an exemption, and the organization must use and conduct an activity specified in statute. The use of the property determines the exemption, and not all nonprofit organizations qualify for an exemption.

Nonprofit organizations are further restricted from using the exempt property for business purposes, except for no more than 15 days each year. The nonprofit is also restricted to loan or rental of the property to individuals or organizations for non-exempt purposes for up to 50 days per year (excluding set-up and take down days). The rent or donation received must not exceed the maintenance and operation costs attributable to the portion of the property loaned or rented.

RCW 84.36.020 provides a property tax exemption for real or personal property owned by a nonprofit religious organization and used as a church. The property tax exemption available for churches is limited to five acres including grounds covered by the church, parsonage, convent, maintenance buildings, and parking.

RCW 84.36.037 provides a property tax exemption for real or personal property owned by nonprofit organization used for the operation of a public assembly hall or meeting place. The property tax exemption available for a public assembly hall is limited to one acre in size and must be used for public gatherings 51% of the total time used.

For property taxes levied for collection in 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 its property tax exemption. That provision expired on December 31, 2020.

COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL:
The substitute bill removes the requirement that the Department of Revenue convene a workgroup to identify and categorize:
- Non-profits in the state that do not benefit from the current property exemptions; and
- Non-profits that find the current exemption structure administratively cumbersome.

PROPOSAL:
Reinstates the provision to allow churches and public assembly halls to use their exempt property for the purposes of a farmers' market for 53 days per assessment year in addition to 15 days commercial use and 50 days nonexempt use restrictions for nonprofit organizations.

The tax preference provisions do not apply to this act.

EFFECTIVE DATE:
This bill takes effect beginning with property taxes collected in Calendar Year 2023.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS:

- Churches and assembly halls will not risk losing their property tax exemption and will cease hosting farmers' markets.
- Since no properties lost their exemption when the prior exemption expired December 31, 2020, it is assumed no additional exemptions will be granted as a result of reinstating the provision to allow churches and public assembly halls to host farmers' markets for up to 53 days per year.

DATA SOURCES
- Property Tax

REVENUE ESTIMATES
This legislation results in no revenue impact to the state property tax levy and no impact to local property tax levies.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing

FIRST YEAR COSTS:
The Department will have minimal costs of approximately $595 for 10 hours of work by a property acquisition specialist to implement this legislation and will absorb within current funding.

SECOND YEAR COSTS:
The Department will have minimal costs of approximately $1,785 for 30 hours of work by a property acquisition specialist to implement this legislation and will absorb within current funding.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

III. B - Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1967 S HB	**Title:** Nonprofits/property tax

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☐ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☒ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/18/2022
Leg. Committee Contact: Dawn Eychaner	Phone: 360-786-7135	Date: 02/10/2022
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/18/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/18/2022

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government .

CHANGES TO THIS BILL VERSION FROM PREVIOUS BILL VERSION
This substitute bill removes the requirement that the Dept. of Revenue convene a workgroup to produce a report for the legislature.

SUMMARY OF CURRENT BILL VERSION
Section 1 amends RCW 84.36.020 (Property tax exemptions for cemeteries, churches, parsonages, convents, and grounds) to specify that activities (related to a farmers market) upon certain property tax-exempt properties do not nullify the property tax exemption.

Section 2 amends RCW 84.36.037 (Property tax exemptions for nonprofit with property connection with operation of public assembly hall or meetings) to specify that uses involving conducting a qualifying farmers market upon certain property-tax-exempt properties do not nullify the property tax exemption. "Qualifying farmers market" is defined in RCW 66.24.170.

This act will apply to taxes levied for collection in 2023 and thereafter.

Performance statement and tax preference expiration do not apply to this act.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments , identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This substitute bill will not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments , identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This substitute bill will not impact local government revenues, according to the Washington State Dept. of Revenue.

DOR ASSUMPTIONS
- Churches and assembly halls will not risk losing their property tax exemption and will cease hosting farmers' markets.
- Since no properties lost their exemption when the prior exemption expired December 31, 2020, it is assumed no additional exemptions will be granted as a result of reinstating the provision to allow churches and public assembly halls to host farmers' markets for up to 53 days per year.

SOURCES
Washington State Dept. of Revenue Fiscal Note Draft
Washington Association of County Officials