

# HOUSE BILL REPORT

## SB 6113

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### As Reported By House Committee On:

Finance

**Title:** An act relating to the property tax exemption for nonprofit organizations providing medical research or training of medical personnel.

**Brief Description:** Exempting from taxation property of nonprofit organizations providing medical research or training of medical personnel.

**Sponsors:** Senators Wood, West, Thibaudeau, Kohl, Long and Rasmussen.

### Brief History:

#### Committee Activity:

Finance: 2/24/98, 3/2/98 [DPA].

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass as amended. Signed by 12 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Conway; Kastama; Mason; Morris; Pennington and Thompson.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Boldt and Schoesler.

**Staff:** Linda Brooks (786-7153).

**Background:** All property in this state is subject to the property tax each year based on the property's value unless a specific exemption is provided by law.

Several property tax exemptions exist for nonprofit organizations. Some exemptions apply only to property owned by a nonprofit organization, and other exemptions apply to property either owned or leased by a nonprofit. When a nonprofit organization receives a tax exemption for leased property, the benefit of the property tax reduction, in the form of reduced lease rents, must inure to the nonprofit organization. Examples of some nonprofit property tax exemptions are:

### PROPERTY TAX EXEMPTIONS FOR NONPROFIT ORGANIZATIONS

### **Exempt on Owned Property Only**

- Character Building, Benevolent, Protective or Rehabilitative Social Service Organizations
- Churches and Church Camps
- Youth Character Building Organizations
- War Veterans' Organizations
- Water Distribution Property
- Nonprofit Nature Conservancy Organization
- Public Assembly Halls
- Medical Research or Training facilities
- Art, Scientific, or Historical Collections
- Sheltered Workshops
- Fair Associations
- Humane Societies

### **Exempt on Owned or Leased Property**

- Free Public Libraries
- Orphanages
- Nursing Homes
- Hospitals
- Homes for the Aging
- Schools and Colleges
- Day Care Centers
- Radio/TV Rebroadcast Facilities
- Performing Arts Properties
- Homeless Shelters
- Outpatient Dialysis Facilities
- Blood Banks

Real or personal property either owned or used under a lease-to-purchase contract by a nonprofit corporation or association is exempt from property tax, if the property is:

- 1) Available without charge to medical or hospital personnel for training or research purposes; or
- 2) Used for medical research which is made available to the public without cost.

**Summary of Amended Bill:** The requirement that the property be either owned or used under a lease-to-purchase contract is eliminated. Any property used by a nonprofit corporation or association is exempt from property tax, if the property is:

- 1) Available without charge to medical or hospital personnel for training or research purposes; or

2) Used for medical research which is made available to the public without cost.

If the property is leased, the benefit of the property tax exemption must inure to the nonprofit organization.

**Amended Bill Compared to Original Bill:** Clarification is made that the benefit of the property tax exemption must inure to the nonprofit organization.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill corrects an inequity. Whether a nonprofit medical research center owns or leases its space depends on the maturity of the organization. Newer organizations tend to lease space. The Fred Hutchinson Cancer Research Center is an established organization, but it is at the point in its history where it needs to move into new space. The Fred Hutchinson Cancer Research Center (center) sold a building to raise capital to pay for the construction of a new building. Until the new building is completed, however, the center needs to continue to lease the building that it sold. Since the center now occupies the building as a renter rather than as an owner, the center owes property taxes. Within six years, the center should fully complete its move into the new building. This bill extends the property tax exemption so that it applies to both owned and leased properties. There are about seven nonprofit medical research organizations who could benefit from this bill, if they lease property.

**Testimony Against:** None.

**Testified:** Karen Lane and Mike Ryherd, Fred Hutchinson Cancer Research Center, (pro).