

Department of Revenue Fiscal Note

Bill Number: 6405 SB	Title: Nonprofit tax-exempt proptry	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Indeterminate Impact

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.7	0.3		
Account					
GF-STATE-State 001-1		69,700	69,700		
Total \$		69,700	69,700		

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.

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Request # 6405-1-1

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.

This Department of Revenue request legislation allows the exempt property of churches and other nonprofit organizations to be rented or used for a total of 50 days in a calendar year for non-exempt purposes as long as:

- The property is not used for monetary gain or to promote business activities for more than 15 of those 50 days; and
- Rents or donations received for the non-exempt purpose are reasonable and do not exceed the maintenance and operational expenses attributable to the portion of property loaned or rented.

Setup and takedown activities are not included in the 50 day and 15 day limitations. Inadvertent use of the property that is inconsistent with the exemption is allowed if the inadvertent use is not part of a pattern of use. If the 50 day and 15 day limitations are exceeded during an assessment year, the exemption is removed for the affected portion of the property for that assessment year.

Where current law allows for greater use of exempt property than under the proposed 50 and 15 day limits, those allowable uses are retained.

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.

REVENUE ESTIMATE

The revenue impact of this legislation is indeterminate.

There may be churches and other nonprofit organizations in danger of losing a property tax exemption for portions of their properties that have been used for non-exempt activities. The amount of property value that could become taxable is unknown.

The number of nonprofit organizations that have not applied for exempt status but may decide to do so if this legislation passed is unknown. The amount of value that would become exempt is also unknown.

Any state impact would be a state levy shift to other taxpayers as it is highly unlikely that the additional value that could be exempted would reach the \$315 billion needed to create a state levy impact.

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 functions.

ASSUMPTIONS

Expenditures assume an unknown number of taxpayers will be affected by this proposal.

FIRST YEAR COSTS

There are no costs anticipated in Fiscal Year 2014.

SECOND YEAR COSTS

The Department will incur total costs of \$69,700 in Fiscal Year 2015. These costs include:

- Labor Costs – Time and effort equates to 0.7 FTEs.
- Additional staff to amend 25 administrative rules.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.7	0.3		
A-Salaries and Wages		42,600	42,600		
B-Employee Benefits		12,800	12,800		
E-Goods and Other Services		10,000	10,000		
J-Capital Outlays		4,300	4,300		
Total \$		\$69,700	\$69,700		

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

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
HEARINGS SCHEDULER	32,688		0.1	0.1		
TAX POLICY SP 2	61,628		0.1	0.1		
TAX POLICY SP 3	69,756		0.3	0.2		
WMS BAND 3	88,546		0.1	0.1		
Total FTE's	252,618		0.7	0.4		

Part IV: Capital Budget Impact

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

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-16-110, titled: "Applications-Who must file, initial applications, annual declarations, appeals, filing fees, penalties, and refunds," WAC 458-16-130, titled: "Change in taxable status of real property," WAC 458-16-165, titled: "Conditions under which nonprofit organizations, associations, or corporations may obtain a property tax exemption," WAC 458-16-180, titled: "Public burying grounds or cemeteries," WAC 459-16-190, titled: "Churches, parsonages and convents," WAC 458-16-200, titled: "Land upon which a church or parsonage shall be built," WAC 458-16-210, titled: "Nonprofit organizations or associations organized and conducted for nonsectarian purposes," WAC 458-16-215, titled: "Nonprofit organizations that solicit, collect, and distribute gifts, donations, or grants," WAC 458-16-220, titled: "Church Camps," WAC 458-16-230, titled: "Character building organizations," WAC 458-16-240, titled: "Veterans organizations," WAC 458-16-245, titled: "Student Loan Agencies," WAC 458-16-260, titled: "Nonprofit day care centers, libraries, orphanages, homes for sick or infirm, hospitals, outpatient dialysis facilities," WAC 458-16-270, titled: "Schools and Colleges," WAC 458-16-280, titled: "Art, scientific and historical selections," WAC 458-16-282, titled: "Musical, dance, artistic, dramatic and literary associations," WAC 458-16-284, titled: "Fire Companies," WAC 458-16-286, titled: "Humane Societies," WAC 458-16-290, titled: "Nature conservancy lands," WAC 458-16-300, titled: "Public Meeting Hall - Public meeting place - Community meeting hall," WAC 458-16-300, titled: "Community Celebration facilities," WAC 458-16-320, titled: "Emergency or Transitional Housing," WAC 458-16-330, titled: "Sheltered Workshops for the handicapped," and WAC 458-16-560, titled: "Housing for very low-income households." Persons affected by this rule-making would include nonprofit organizations applying for property tax exemptions.