

HB 2507 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

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Sub-Referral To: Joint Committee On Tax Expenditures

Meeting Dates: 2/15, 2/23

WHAT THE MEASURE DOES:

Allows industry apprenticeship or training trust that is fully exempt from property tax to permit occasional, non-profit usage of the property free of charge without losing tax-exempt status. Applies to tax years beginning on or after July 1, 2023. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

Labor union testimony of inability to let other non-profit organizations use their property without becoming ineligible for property tax exemption.

EFFECT OF AMENDMENT:

-1 permits the organization that is allowing occasional use of its property to be owned by or “purchased by an industry apprenticeship or training trust”. It also adds language to clarify which entity owns the property and which entity occasionally uses the property.

BACKGROUND:

Currently, property owned or being purchased by an industry apprenticeship or training trust is exempt from property taxation if the trust is considered an organization exempt from federal income taxes under the federal Internal Revenue Code or other laws of the United States relating to federal income taxes and other conditions are met.

Statute does not contain a policy purpose for this exemption, but the Department of Revenue’s 2023-25 Tax Expenditure Report (TER 2.018) suggests that the purpose may be "...to provide equity between training trusts and other private schools. Trusts cannot qualify for an exemption under other statutes because they are not incorporated and are prevented from doing so by federal regulation."

With this legislation, the exemption applies regardless of whether non-profit corporation that occasionally uses the property makes a rental payment. Requires usage to be the same as that required for income tax exemption. Limits use to no more than seven consecutive days or a cumulative total of 30 days in any given property tax year.

Section 501(c)(3) is a portion of the U.S. Internal Revenue Code (IRC) and a specific tax category for non-profit organizations. Organizations that meet Section 501(c)(3) requirements are exempt from federal income tax. Only non-profit organizations that qualify for 501(c)(3) status can say that donations to them are tax deductible.