

HB 2507 A STAFF MEASURE SUMMARY

House Committee On Revenue

Action Date: 02/28/23

Action: Do pass with amendments and be referred to Tax Expenditures by prior reference.
(Printed A-Eng.)

Vote: 5-0-2-0

Yeas: 5 - Levy B, Nathanson, Nguyen D, Reschke, Walters

Exc: 2 - Marsh, Smith G

Fiscal: Fiscal impact issued

Revenue: No revenue impact

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Meeting Dates: 2/15, 2/28

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. Permits the organization that is allowing occasional use of its property to be owned by or “purchased by an industry apprenticeship or training trust”. 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.
- Discussion on whether there is a use case that provided impetus for the -1 amendment.

EFFECT OF AMENDMENT:

Amended to distinguish between entities and to add language on whether property purchased or owned.

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.

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.