This brochure provides a basic description of the specific exemptions for nonprofit organizations operating in Washington. It is current at the time of publication, but future changes may invalidate some of this information and not all applications of tax are discussed. The material is intended only for general informational purposes; it does not alter or supersede any administrative regulations or rulings issued by the Department.

**EXEMPTIONS FOR NONPROFIT ORGANIZATIONS**

Nonprofit organizations, even though they may be exempt from federal taxes, are not generally exempt from taxes in Washington. Unless a nonprofit organization has a specific exemption for either property or excise taxes, it is required to pay taxes in the same manner as other entities. Generally, nonprofit organizations are required to pay the sales or use tax on items of tangible personal property they purchase for their own use and on any construction performed for their organization. If a nonprofit organization conducts taxable business activities in Washington, it must register to do business within the state by completing a business license application. The application can be obtained from any Department of Revenue office or our website at dor.wa.gov or by calling our Telephone Information Center at 1-800-647-7706.

**PROPERTY TAX**

**General Requirements**

Nonprofit organizations in the state of Washington may be eligible for an exemption from property tax. In most situations, nonprofit ownership is required to qualify for an exemption. In addition, the organization must conduct an activity specifically identified in the exemption laws. The use of the property determines the exemption. Not all nonprofit organizations have a purpose and activity that entitles them to an exemption.

Typical organizations receiving a property tax exemption are schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, and public meeting halls. Nonprofit organizations engaged in artistic performances for the general public, including production of musical, dance, artistic, dramatic and literary works, as well as art, scientific and historical collections, are also exempt from the property tax on property actually used for these purposes.

Generally, labor unions or fraternal organizations are not eligible for an exemption, unless they are exclusively using their property for to conduct an activity exempted by law. For example, a training facility operated by a labor union could qualify for an exemption as a school.

The law provides an exemption from the following taxes:

**Personal Property Tax:** Assessed on movable items such as furniture and equipment. It also includes a privately owned building located on land owned by a public entity. In some circumstances, a mobile home may be classified as personal property.

**Real Property Tax:** Assessed on land and buildings. Exemptions do not include special assessments such as sewer, water, street improvements, and surface water management.

**Leasehold Excise Tax:** In lieu of property tax paid by organizations or individuals using publicly owned property which is exempt from property tax.

continued
APPLICATION PROCESS

Filing an Application

To apply for a property tax exemption, organizations must file an application with the Property Tax Division at the Department of Revenue. Applications are available online at dor.wa.gov under Get a form or publication (REV 63 0001) or any county assessor’s office.

The application must include verification of nonprofit status, bylaws, an accurate map and site plan that will identify all improvements by dimension, and all filing fees. Nonprofit status may be evidenced by Articles of Incorporation and/or a determination letter from the Internal Revenue Service approving exempt status with the federal government. Incorporated applicants must be currently registered with the Washington Secretary of State’s office and provide a copy of their Articles of Incorporation.

LATE FILING PENALTY

Applications filed after the filing date are subject to a late filing penalty. The penalty is computed at $10 per month, or any portion of a month. For example, a nonprofit organization purchases property on June 15. The organization has until August 14 (60 days) to file their application before accruing a late filing penalty. If the application is submitted on August 15 or a later day in August, the penalty is $10. If the application is submitted on September 1 or later, then the penalty increases to $20.

If you have questions regarding the late filing fee penalty, please contact our Exempt Property Tax Section (see page 4).

EFFECTIVE DATE

The taxes exempted will be for the year following the year the property qualified for exemption. For example, property qualifying for exemption in 2013 will be exempt for taxes payable in 2014. Taxes owed in the year of purchase, or the year the property is converted to an exempt use, cannot be exempted.

RENEWING THE EXEMPTION

The exemption must be renewed by March 31 each year. The Department of Revenue will mail a postcard to each applicant annually in January reminding the applicant to renew their exemption online at dor.wa.gov using the “My account” system.

The renewal process cannot be used to add property to an existing exemption. Organizations wanting to add previously taxed property to an existing exemption must file a new application.

Jeopardizing the Exemption

Washington’s laws and rules restrict the manner in which property qualifying for exemption may be used. Generally, commercial activities cannot be conducted on the property. For example, if a nonprofit church receives a property tax exemption, the portion of the church which is used to sell books will not be exempt because it is used for a commercial activity. The property will be placed on the tax rolls if nonexempt activities are conducted on the property, and taxes will be due from the date the nonexempt activity begins. If the nonexempt activity ceases, a new application form must be filed to reinstate the exemption. The exemption will be effective in the year following the year the property is returned to an exempt activity.

Organizations must report when the manner of exempt use changes or is discontinued.

Some of the most common reasons for losing an exemption include:

- Use of the property by unqualified organizations or individuals for monetary gain, regardless of whether a fee is charged.

A qualified organization is one that would qualify for exemption if they owned the property and used it for an exempt purpose.

- Rent charged in excess of the organization’s operation and maintenance expenses.

The amount of rent charged to qualified organizations may not exceed the amount it costs the organization to operate and maintain the exempted portion of property for the time or period rented or leased. Donations made for the use of an organization’s exempt property are viewed as rent.
References

WAC 458-20-169 Nonprofits

Special Notice: Nonprofit Fundraising January 5, 2004

The following activities are also exempt:

Artistic or Cultural Organizations: Income derived from conducting any business activities as a nonprofit artistic or cultural organization (defined in Washington Administrative Code 458-20-249) is not subject to the B&O tax.

Child Care Resource and Referral: Income received by nonprofit organizations for providing child care resource and referral services is not subject to the business and occupation tax.

Emergency Lodging: The charge for furnishing emergency lodging to the homeless purchased via a shelter voucher program administered by cities, towns and counties, or private organizations that provide emergency food and shelter services is exempt from the sales tax, the convention and trade center tax, and the special hotel/motel taxes.

Sheltered Workshops: The gross income received by nonprofit organizations from the business activities of sheltered workshops is exempt from the business and occupation tax. “Sheltered workshops” are business activities, on or off the premises, performed for the primary purpose of:

1. Providing gainful employment or rehabilitation services to the handicapped as an interim step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist.
2. Providing evaluation and work adjustment services for handicapped individuals.
Registration
Amounts received for activities that are specifically exempt do not need to be reported to the Department of Revenue. Unless the nonprofit organization is exempt on all of its income, it is required to register with the Department of Revenue to receive either a temporary or a permanent Unified Business Identifier (UBI) number. Once registered with the Department, the organization will receive excise tax returns for the period(s) of operation.
For assistance in determining whether your organization should be registered or for help completing the return, please contact our Telephone Information Center at 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

FOR MORE INFORMATION
For answers to specific questions about the property tax exemption for nonprofit organizations, please contact:

EXEMPT PROPERTY TAX SECTION
Washington State
Department of Revenue
P.O. Box 47471
Olympia, WA 98504-7471
Email: SindyA@dor.wa.gov
Call: (360) 534-1412
FAX: (360) 534-1380

If you have questions about the business and occupation or sales/use tax exemptions, call our Telephone Information Center at 1-800-647-7706 or write to:

TAXPAYER INFORMATION AND EDUCATION
Washington State
Department of Revenue
P.O. Box 47478
Olympia, WA 98504-7478
FAX (360) 705-6655

TELEPHONE INFORMATION CENTER
1-800-647-7706

WEBSITE
dor.wa.gov

MAILING ADDRESS
Washington State
Department of Revenue
P.O. Box 47478
Olympia, WA 98504-7478

For tax assistance or to request this document in an alternate format, visit http://dor.wa.gov or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

The information contained in this fact sheet is current as of the date of this publication and provides only general information about non-profit organizations. It does not alter or supersede any administrative regulations or rulings issued by the Department.