

## Property Tax Exemption for Nonprofits: Social Service Organizations

Social service organizations may be eligible for a property tax exemption if the property is used exclusively to conduct an exempt activity and is owned by the nonprofit organization. If the property is not owned by the nonprofit organization, but meets one of the exceptions to ownership provided in [RCW 84.36.031](#), it may still qualify for an exemption.

The social service organization cannot be involved with or related to any specific religious sect or political group and must meet the definition of a nonprofit organization or association in [RCW 84.36.800\(4\)](#). If the entity has an active 501(c) or (c)(3) designation, it meets the definition in [RCW 84.36.800\(4\)](#).



Exempt activity for a qualifying social service organization includes providing character-building, benevolent, protective or rehabilitative services to persons of any age. In addition, a qualifying social service organization must relieve the public of some obligation. Types of social service organizations that are typically eligible for this exemption include the following:

- Medical and dental clinics, including mental health and substance abuse services.
- Counseling services, including behavioral health, family, and pregnancy counseling.
- Food and/or clothing banks.
- Assistance for persons with developmental disabilities.
- Youth character building.
- Support groups such as for family of people with autism or Veteran support.
- Therapy services.
- Assisting people to locate affordable housing or other services.

Social service organizations that provide medical, dental or behavioral health services must provide a copy of their license issued by the Department of Health for the facility, or provide documentation that a license is not required.

To be eligible, the property must be used to deliver a service onsite. Property used exclusively for administrative functions are not eligible for the exemption. There is an exception for qualifying social service organizations that can't provide the delivery of their service onsite including (but not limited to):

- An emergency suicide or crisis hotline.
- A search and rescue operation.
- A free or low-cost meal delivery service.

The social service organization must demonstrate the property meets the requirements of gift and giving found in [WAC 456-16-210\(3\)](#). There are two ways to meet these requirements:

- Provide goods/services free or at a rate that is reduced by at least 20% to a minimum of 15% of the total number of people served at the facility.
- Contribute at least 10% of the total annual income towards the support of social services or programs.

**Gift and giving example:**

|                           | Cost | Number of clients | Reduced by at least 20% |
|---------------------------|------|-------------------|-------------------------|
| Uninsured                 | Free | 81                | 12.52%                  |
| Medicaid                  |      | 80                | 12.36%                  |
| Medicare                  |      | 22                |                         |
| Private insurance         |      | 412               |                         |
| <b>Total clients: 647</b> |      |                   | <b>*24.88%</b>          |

*\*Because this amount is greater than 15%, it would qualify for the exemption.*

**Thrift stores**

When all other requirements are met for the social service exemption, the social service organization is allowed to sell donated merchandise if the proceeds of the sales are dedicated to an exempt activity.

**Qualifying examples:**

- A resale store such as Goodwill, which uses the resale activity to conduct a job-skills training program and the proceeds of the sales are used to continue the training program would typically qualify. In this scenario, the social service is providing skills and training for persons with barriers to employment.
- A free medical clinic which uses a portion of its facility to provide free or low-cost, donated wheel chairs, walkers, or other medical equipment and the proceeds are used to continue to provide free medical care and equipment would typically qualify. In this scenario, the free or low-cost medical equipment is part of the actual social service provided.

**Non-qualifying examples:**

- A facility or portion of a facility wherein the only activity conducted is resale (thrift store) activity. In this scenario, the property is not otherwise exempt due to a social service conducted through the resale activity.
- Property used to sell non-donated items.

**Annual renewals due Mar. 31**

To keep your property tax exemption, you are required to submit an annual renewal. The Department of Revenue (department) sends a notice each year in January, reminding nonprofits to renew their exemption online ([www.dor.wa.gov](http://www.dor.wa.gov)) prior to the Mar. 31 deadline.

If the department receives your renewal after Mar. 31, late fees of \$10.00 per month will be assessed. Failure to renew before Nov. 30, will result in the loss of the property tax exemption as of Jan. 1 of the current year.

Please recognize, when a nonprofit qualifies for a property tax exemption they must continue to meet the

exemption criteria that allowed them to receive the tax benefit in the first place. If there is any change in use or activity, including the cessation of use or the sale of property, you must notify the department to determine whether the new use is exempt.

When an exempt property is no longer used for the purpose under which an exemption was granted, and has not been exempt for more than ten consecutive years, the property may be subject to the rollback provisions in [RCW 84.36.810](#).

All taxes which would have been paid had the property not been exempt during the three years preceding, or the life of the exemption, whichever is less, together with the interest at the same rate and computed in the same way as delinquent property taxes will be due.

## Loan and rental

Social service organizations may loan or rent their exempt property to another nonprofit organization or public hospital district that would also qualify for exemption under RCW 84.36 for meetings, trainings, etc. on a single-use or hourly basis. Any rental income or donations received from the loan or rental cannot exceed maintenance and operation expenses for the portion of the property being loaned or rented.

If all or part of the property, is rented or loaned to any other organization, for their use exclusively, it may jeopardize the exemption. For example, if an office in the building is rented out to a local therapist on a month to month basis and the therapist is the only one that has access to that office while they are renting it, that portion of the property is not eligible for exemption and that portion of the property will be taxed.

### Examples of qualifying activities:

- Community club conducting a canned food drive for the local food bank.
- Community organization holds a weekly support meeting for at-risk youth.
- Nonprofit school group conducting a clothing and toiletry drive for their local school free “store.”

Social service organizations may also share their property for nonexempt activities up to 50 days per year. However, only 15 of those 50 days, may be used for commercial or business activities.

### Examples of nonexempt activities:

- The local Chamber of Commerce conducting a monthly club meeting.
- Fraternal organization hosting a social event.
- For-profit organization conducting an employee benefit seminar.

### Examples of commercial or business activities:

- Music or fitness instructor conducting their own classes for a fee.
- A for-profit weight loss program conducting group meetings.
- A therapist renting a room on an hourly/daily basis to hold client sessions, for which they charge the client.



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## Fundraising

Fundraising events held on exempt property do not jeopardize the exemption, if the following are met:

- The event is sponsored by an exempt organization.
- Each event is limited to five days or less.
- 51% or more of the net proceeds collected at each event must be paid to the sponsoring exempt organization.
- The events are not frequent or regularly scheduled.

Fundraising activities that are regularly scheduled on a daily, weekly or monthly basis (such as a weekly/monthly bingo night) are considered to be business activity, rather than occasional fundraising events. These may only be conducted within the overall 15-day allowance for business activity.

## Refunds for prior years

If you paid prior years' property taxes because of a mistake, oversight, or a lack of knowledge about this program, you may be eligible for a refund. You must meet all of the qualifications for the exemption as if you had applied at the time the application was due. A late application fee will apply. In order to receive a refund, applications must be filed within three years of the date the taxes were due. Refunds will not be made beyond the three years.

## Appeal process

After the department reviews your initial application and/or renewal, they will issue a determination of taxability. If you do not agree with the department's determination, you have the right to appeal to the Washington State Board of Tax Appeals (Board). Your appeal must be filed with the Board within 30 calendar days of the date the determination was mailed or emailed. You must allow for mailing time within the 30 day period. To obtain an appeal form, call the Board at 360-753-5446 or visit their website at [www.bta.state.wa.us](http://www.bta.state.wa.us).

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## Frequently Asked Questions

**Our organization provides dental care to clients in need at no charge. We have several locations throughout the state. Each location serves clients onsite in one portion of the building. The building also has an area utilized as office space for volunteers to take calls, and provide administrative services. Does the portion of the building used as an administrative office jeopardize our exemption?**

No, when property used to provide exempt social services onsite is shared with its administrative office, the property remains eligible for exemption.

**Is there a specific exemption for a thrift store?**

No, there is not a specific exemption for thrift stores, however, thrift stores may qualify as exempt activity if the property meets all of the requirements as a social service organization and the proceeds of the thrift store are dedicated to further the organization's purposes.

**Our nonprofit does not have the means to purchase our own property. We have the opportunity to lease space from another local nonprofit. Will we qualify for a property tax exemption for the space we are leasing?**

If the property is owned by an organization that is already exempt from property taxes under RCW 84.36.020 (religious) or RCW 84.36.030 (social service), you could qualify for an exemption even though you do not own the property. If the property is owned by an organization that does not qualify for exemption as a religious or social service organization, the leased property would not be eligible for exemption.

**Our organization leases property from an entity that specifically purchases property with the intent of leasing it to nonprofits conducting exempt activity. Even though they are not a nonprofit that would qualify for exemption under RCW 84.36.020 or RCW 84.36.030, could we qualify for an exemption?**

If the property is owned by an entity that was formed specifically for the purpose of leasing property to an organization that will use the property for an exempt purpose as provided in RCW 84.36.030, the property would qualify for an exemption if it meets all of the following requirements:

- The lessee must use the property for an exempt purpose as provided in RCW 84.36.030.
- The immediate previous owner of the property must have also received an exemption under RCW 84.36.020 or RCW 84.36.030 for the property.
- The benefit of the exemption must inure to the lessee.

**If our organization does not qualify for a property tax exemption on the building because we lease it, rather than own it, can we still get an exemption on our personal property? And if so, would it include all of our personal property, or only the equipment we own?**

Yes, a social service organization may be eligible for an exemption on the personal property it owns and uses on site, even if it does not qualify for exemption on the building because it is leased. Personal property that is leased by a social service organization is typically not eligible for exemption unless it is qualifying rent-to-own equipment.

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## More information

[RCW 84.36.030](#)

[RCW 84.36.031](#)

[RCW 84.36.805](#)

[RCW 84.36.810](#)

[WAC 458-16-210](#)

[WAC 458-16-100](#)

[WAC 458-16-150](#)

[WAC 458-16-165](#)

## Questions?

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