

Property Tax Exemption for Nonprofits: Churches

Churches may be eligible for a property tax exemption if they conduct certain activities and are wholly used for church purposes.

The exemption applies to real and personal property owned by the church and used exclusively for religious worship and related church purposes.

A maximum of five acres of real property is eligible for exemption. This maximum acreage may include a parsonage, convent, caretaker's residence, and parking. Unoccupied land or undeveloped land included within the five acres shall not exceed 1/3 of an acre.



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 (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 standard(s) 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.

Loan and rental

A church may loan or rent their exempt property to nonprofit organizations or schools to conduct qualifying charitable activities 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 the property, or a portion 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 charitable activities:

- Community club conducting a canned food drive for the local food bank.
- Nonprofit school conducting a free or low-cost adult literacy class.
- Community organizations holding free evening or weekend meetings designed to help individuals struggling with substance abuse.

Churches may also share their property for nonexempt activities up to 50 days per year, 15 of those 50 days, church property 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.
- Church hosting a festival/fair where individuals and companies sell products or services.

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.

Churches may also co-host fundraising events sponsored by other qualifying nonprofit organizations, if this criteria is met.

Recordkeeping

Churches that loan or rent their property to individuals or other organizations under the current law must maintain an accurate record or calendar of those uses throughout the year.

The calendar or spreadsheet must be provided to the department upon request. The calendar should include the following fields:

- Date - the date of use
- Name - the name of the person or organization using the property
- Purpose - describe the event
- Income - the amount of any rent or donation paid for the use
- Commercial Use - was the property used for pecuniary gain or business purposes

Refunds for prior years

If you paid prior years' 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 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, as evidenced by the sent date. 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.

Residency types

Parsonage

Means a residence owned by a church that is occupied by a licensed or ordained clergy person designated for a particular congregation and responsible for conducting their religious services on a regular basis at prearranged times, days, and places. A parsonage does not need to be on the same property as the church to qualify for exemption.

Caretaker's residence

Means a residence owned by a church and located on the church site or contiguous to the church site. Size of the residence must be reasonable and appropriate in light of the duties performed. Caretaker must receive the use of the residence as compensation and is not required to pay rent.

Caretaker's duties must include regular surveillance and patrolling of the property, or daily property maintenance and property access control.

Convent

Means a residence owned by a church and occupied by a community of clergy or nuns devoted to religious life under a superior. A convent does not need to be on the same property as the church to qualify for exemption.

Frequently Asked Questions

Fundraisers: garage sales, bingo, and bazaars

Our church hosts a neighborhood garage sale one Saturday each month for a total of 12 events annually. We invite congregation and community members to sell their items in our parking lot for a \$15 fee. Will this jeopardize exempt status?

Maybe. Sales like this are considered to be business activity. Community members that are keeping the proceeds for their own benefit are using the exempt property for pecuniary gain. Under the law, these events will not jeopardize the exemption, if conducted on 15 days or less in a calendar year. Please be aware that the limit applies to all pecuniary gain and business activities. If one of these sales is done every month, the church would be left with three remaining business activity days to use for other events.

Our church will host a neighborhood garage sale soon to raise funds for our missionary programs. Congregation or community members are invited to participate by selling their items in our parking lot. Our church won't charge a fee, and participants must agree to donate 51% of their net profit to our church. Will this activity jeopardize the exempt status of the property?

No. Because participants are remitting 51% of their net profit to the host church, this is considered a qualifying fundraising activity. There is not a specific limitation on the number of qualifying fundraising events a church may host; however, fundraising activities that are regularly scheduled on a daily, weekly, or monthly basis are considered business activity rather than "occasional fundraising events".

Our church hosts a weekly Friday night bingo social. Each card is \$2 and the players can win cash prizes. Will this activity jeopardize the exempt status of our property?

Probably. Because money is required to play and the winners receive money, it would be considered a commercial activity, which is limited to 15 days per year.

Our church hosts a bingo fundraiser twice a year. Each card is by donation. All of the money that is raised is kept by the church. The players can win non cash prizes such as plants, wreaths, homemade donated baked goods, etc. Will this activity jeopardize the exempt status of our property?

No. This is not commercial activity because the use of the playing cards are by donation, the winners do not win a cash prize, and the church keeps the donations. In addition, because it's only held twice a year, it is infrequent enough to be considered a fundraiser.

Our church hosts an annual Holiday Bazaar. Each individual or company pays a vendor fee to the church to sell their products or services. Each individual keeps all money made from bazaar sales. Will this activity jeopardize our exemption?

Maybe. This type of event is considered commercial activity and must be limited to no more than fifteen days per year. However, if the church were to keep at least 51% of the sales from the bazaar, it could be considered a fundraiser, rather than commercial activity.

Our church hosts a semi-annual bake sale. All baked goods are donated and the church retains all of the proceeds from the sale. Will this activity jeopardize our exemption?

No. This is not considered commercial activity because the items for sale are all by donation and all of the money raised is kept by the church. Also, because it's only held twice a year, it is infrequent enough to be considered a fundraiser.

Special events

We often allow community members (who are not members of our congregation) to rent our chapel for weddings. Will this jeopardize our exempt status?

Probably not. As long as your congregation continues to use the facility for regularly scheduled worship and the fee or donation received from these rentals do not exceed the costs of operation and maintenance of the portion of the property loaned or rented.

A musical group would like to hold a community concert in our church. The group would charge admission and/or sell merchandise during the concert. The church will not be charging a fee or receiving a donation from this group. Will this jeopardize the exempt status of the property?

Maybe. The activity conducted by the musical group is considered to be pecuniary gain or business activity. Business/pecuniary gain activities will not jeopardize the exemption, if conducted on 15 days or less during the calendar year.

Our church would like to host a community concert in our sanctuary. We will charge admission at the door. We have hired a musical group to perform for a flat fee (not based on attendance or door admission). We will purchase merchandise which we plan to sell during the concert. Will this jeopardize the exempt status of the property?

No. This is considered a qualifying fundraising activity. There is no limitation on the number of qualifying fundraising events a church may host; however, fundraising activities that are regularly scheduled on a daily, weekly, or monthly basis are considered business activity rather than “occasional fundraising events”.

Our church hosts several seminars each year on various topics (i.e. marriage, parenting, financial, and health issues). These seminars are presented by professionals within the community or industry. Congregation and community members are invited to participate. The presenters are not paid; however, they do market their book and other items and related services during the seminars. Participants pay a fee, which covers the cost of the seminar materials and traveling expenses of the presenter, if needed. Will this activity jeopardize the exempt status of the property?

Maybe. The activity conducted by the presenters is considered to be pecuniary gain or business activity. Business/pecuniary activities will not jeopardize the exemption, if conducted on 15 days or less during the calendar year.

Clubs, classes, and tutoring

A congregation member conducts a fitness program in our church building. She charges participants \$5 per class. Will this jeopardize the exempt status of the property?

Yes. This program is considered to be business activity when it is conducted by an individual or for-profit organization. If the program is conducted on more than 15 days during the calendar year, the exemption would be lost.

Our church would like to conduct a fitness program for our community. We would hire an exercise instructor for a flat fee (not based on the number of participants or participation fees). We would charge participants \$5 per class to cover the costs of providing the class. Will this jeopardize the exempt status of the property?

No. The activity described is considered a church activity conducted for church purposes on a nonprofit basis. Because the instructor will be hired to provide a service for the church and the participation fee will be paid directly to the church, and the fee does not exceed the church’s cost; the activity is not considered to be a pecuniary gain or business activity.

Our church sponsors a scouting group. This group uses our recreation hall each Thursday for scout meetings and multiple Saturdays during the year for scout activities. Will this activity jeopardize the exempt status of our property? What about hosting other scouting troops?

No. Because the scouting group is sponsored by the church, this activity is considered a church activity conducted for church purposes. Sharing your property with other scout troops to conduct charitable character-building activities is generally fine as most scouting organizations are nonprofits conducting eleemosynary activity.

One of our congregation members holds her weekly weight loss program meetings in an unused bible study room each week. Will this activity jeopardize our exemption?

Maybe. If it is a weight loss club, where membership fees are paid and products, including food, are sold onsite, it is considered commercial activity and must be limited to no more than fifteen times per year.

A group of parents from our congregation, who homeschool their children, use our facility to gather once per week to socialize, exchange ideas, and provide additional study time for the students. The church does not receive any income from the loan of this space. Additionally attendees do not pay a fee to attend this weekly gathering. Will this jeopardize my exemption?

No. Because there is no cost to students to attend, there is no charge to rent the room, and this is considered a qualifying charitable activity.

Parsonages

Our church has a parsonage onsite, however, the church pastor has other housing. We have offered the parsonage to a low-income family from our congregation, who would otherwise be homeless. Will this jeopardize our exemption?

Yes. The parsonage exemption only applies when the church's primary licensed clergy person lives onsite. If the residence is being occupied by other church or community members, it no longer qualifies for exemption. If there are no occupants and the church is using the residence for other church activities, it may still qualify as part of the church, rather than a parsonage.

Leased property

Our church leases several copy machines for which we make personal property tax payments to the leasing company. Can we apply for a personal property tax exemption on our leased copy machines?

No. To qualify for the exemption the church must own the real or personal property. Leased property is ineligible for exemption under RCW 84.36.020.

More information

[RCW84.36.020](#), [RCW84.36.800](#)

[WAC 458-16-110](#) and [WAC 458-16-180 through 200](#)

Questions?

Department of Revenue Exemption and Deferral Program
PO Box 47471
Olympia WA 98504-7471

360-534-1400, DORnonprofitapplication@dor.wa.gov

dor.wa.gov/PTaxemptions