

Property Tax Guidelines for Use of Exempt Church Property

“The property must be wholly used for church purposes”

*“Church purposes” means the use of real and personal property owned by a nonprofit religious organization for **religious worship or related administrative, educational, eleemosynary, and social activities**. This definition is to be broadly construed;*

“Loan or rental of exempt property”

The tax exempt status of any property exempt under this section will not be affected if it is loaned or rented under the following conditions:

- (a) The loan or rental must be to a **nonprofit organization, association, corporation, or school**;*
- (b) The loan or rental must be for an **eleemosynary activity**; and*
- (c) The rental income must be reasonable and devoted solely to the operation and maintenance of the property.*

“Property not used for church purposes”

*When property is not used for church purposes, the exemption is lost. If a portion of the exempt property is used for **commercial** rather than church purposes, that portion must be segregated and taxed whether or not the proceeds received by the church from the commercial use are applied to church purposes.*

This includes the use of property to promote the business interests of individuals or for-profit organizations. Examples can be music teachers, artists, performers, photographers, travel agents and others. All of these persons can be hired for their personal services for allowable church purposes. However, when they use exempt property to further their own business, it becomes commercial.

Example: An individual performer is hired for a fee to give a concert of Christian music & testimony. After the performance, the performer sells tapes and t-shirts to the attendees in the lobby of the Church. The performance is allowable, the sale of items to benefit the individual is a taxable event.

Example: A popular piano teacher is invited to use the church for a seasonal recital that includes young members of the church. The recital is a church sponsored, community event. If the teacher presents the recital, but does not use the event to solicit new business or collect personal income, there is no commercial activity. If that teacher were allowed to use church property to solicit business or actually conduct lessons for a fee, that would be a taxable event.

“Fund-raising activities”

The use of exempt property for fund-raising activities sponsored by an exempt organization, association, or corporation does not subject the property to taxation if the fund-raising activities are consistent with the purposes for which the exemption was granted.

The term "fund-raising" means any revenue-raising activity limited to less than five days in length, that disburses fifty-one percent or more of the profits realized from the activity to the exempt nonprofit organization, association, or corporation that is holding the fund-raising, and that takes place on exempt property.

Example 1. A nonprofit social service agency holds an art auction in the church basement to raise funds. Since the fund-raising activity is being held on exempt property, the activity must be less than five days in length and fifty-one percent of the profits must be disbursed to the social agency.

Example 2. The women's auxiliary of the church has a candy sale to raise funds for the church's program to provide meals to the homeless during which the candy is sold door-to-door by members of the auxiliary. Since the candy sale is not being held on the exempt property, the sale is not limited to five days in duration nor do fifty-one percent of the profits from this fund-raising activity have to be remitted to the church.

Definitions:

"Parsonage" means a residence occupied by a member of the clergy who has been designated for a particular congregation and who holds regular services therefor.

"Convent" means a house or set of buildings occupied by a community of clergy or nuns devoted to religious life under a superior.

“Caretaker's residence” means a house or apartment located on church property. It must be reasonable and appropriate to the duties required of the caretaker and nature of the church property itself. The caretaker does not pay rent, but has the use of the residence in exchange for their duties of security and or maintenance.

Attached: A Guide to Property Tax Exemption - Churches
 Non-Profit Organizations Brochure
 Application for Property Tax & Leasehold Excise Tax Exemption
 RCW 84.36.020
 RCW 84.36.800
 WAC 458-16-190
 WAC 458-16-200

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