

Memorandum

To : Honorable Carole Migden, Chairwoman
Honorable Claude Parrish, Vice Chairman
Honorable Bill Leonard
Honorable John Chiang
Honorable Steve Westly

Date: May 23, 2003

From : Jean Ogrod
Acting Chief Counsel



Subject: **Streamlining the Welfare Exemption**

Attached for Board consideration are a staff memorandum and attachments on streamlining the Welfare Exemption claims process. If you have any questions on these materials, please contact Assistant Chief Counsel Kristine Cazadd at (916) 323-7713.

JO:ph
Attachments

Cc: Mr. Timothy W. Boyer, MIC:73
Mr. David Gau, MIC:63
Mr. Dean Kinnee, MIC:64
Ms. Kristine Cazadd, MIC:82
Ms. Jinnifer Willis, MIC:70

Memorandum

To: Honorable Carole Migden, Chairwoman
 Honorable Claude Parrish, Vice Chairman
 Honorable Bill Leonard
 Honorable John Chiang
 Honorable Steve Westly

Date: May 23, 2003

From: Ms. Kristine Cazadd 
 Assistant Chief Counsel

Subject: **Property Tax – Possible Options for Streamlining the Welfare Exemption**

In response to requests from Honorable Chairwoman Carole Migden and Honorable Board Member Bill Leonard, staff has identified for the Board's consideration a number of options for modifying and streamlining the Welfare Exemption claims process.

The described options include the following possible legislative amendments: (1) streamlining the Board/Assessor administration process; (2) modifying appeals process for denied exemption claims; (3) one-time filing requirement (includes fees and self-reporting); (4) authorizing audits of nonprofit organizations by the Board and assessors; (5) amend Corporations Code to facilitate organizations' qualification for exemption. Option No. 1 is a necessary foundation for the remaining options.

Staff believes that full implementation of these options could result in an overall cost savings to the Board, assessors, and claimants be in the range of \$6,000,000 to \$9,000,000 annually, not including revenue generated from possible escape assessments following compliance audits. A thorough fiscal assessment would be needed to continue this preliminary estimate.

Background - Duplicative Current Administration

The Welfare Exemption from local property taxes is available for qualifying organizations (claimants) that are organized and operate their property for exempt activities. Existing law requires duplicative actions by the Board and assessors who co-administer the exemption for approximately 30,000 annual claims.

First-time filings

- Claimants file in duplicate all first-time filing documents (claim, tax exemption letter(s), articles of incorporation/amendments, financial statements, and supplemental affidavits) with the assessor in each county in which they have property.
- The assessor reviews all filing documents, conducts a field inspection of the property, and forwards documents to the Board.
- When the organization owns property in multiple counties, assessors review the same first-time filing documents.
- Both the Board and the assessor review the same first-time claims/related documents to determine eligibility of the organization and its property use.

Annual Filings

- Claimants file annual claims in duplicate for each property granted exemption.
- The Board and assessors reviews annual claims/related documents to verify continued qualifying use.

Appeals

- A Board decision granting exemption in an appeal or a Board staff finding of eligibility is not binding upon an assessor. (If Board grants the exemption, the assessor can still deny it.)

Options for Possible Legislation

Language describing each option or possible legislation is set forth in detail in Attachment 1. Pros and cons are outlined in Attachment 2.

Summary of Possible Legislative Options

1. Streamlining of administration process

Option No. 1 is a necessary foundation for the remaining options.

Option I includes:

- **The Board determines whether the organization qualifies for exemption**

The organization would file a single copy of first-time filing documents with the Board. Upon finding that an organization qualifies, the Board would issue an *organizational clearance certificate* for the claimant to file with the assessor(s).

- **Assessors determine whether an organization's property use qualifies**

Claimants would file claims for each property location with the assessor for verification of whether the claimants' property satisfies the use requirements.

- **Application of the exemption prospectively only**

Claimants would file claims prospectively only. Counties have experienced substantial loss of revenue due to refund to claimants retroactively qualifying for exemption for multiple years of late-filed claims. Also, retroactive claims require additional staff hours, and are then more costly to process, in part because qualifying property use and exempt purpose(s) asserted for prior years cannot be easily verified by the assessors and the Board.

2. Appeals Process for Denial of Exemption Claims

Five options for changing the current appeals process for denied exemptions are described in the attachments. From the standpoint of cost savings and uniformity, staff believes the most effective option would be to eliminate appeals (Alternative 1) and have claimants proceed to court, consistent with the remedy for all other property tax exemptions.

3. One-Time Filing Requirement (Includes Fees and Self-Reporting)

Annual claim filing is eliminated except for low-income housing claimants. The annual claims necessary to verify income levels and rents to low income housing claimants would be filed solely with the assessors. One-time filing includes

- **Filing fees to reimburse counties for reporting to Board**

Provides modest fees for first time filings on a claimant's property and for annual filings for low income housing properties exempt under section 214, subd. (g). The filing fees would partially reimburse counties for the cost of determining eligibility and reporting to the Board.

- **Claimants self-report loss of eligibility to assessors or face penalties**

Once qualified for exemption, organizations would be responsible for reporting loss of eligibility, i.e. - notifying assessors when either the organization or the property use no longer meets the requirements for exemption. Failure to report within 60 days of ineligibility would result in a penalty of 25% of the exempted tax not to exceed \$2,500.

4. Audits of Nonprofit Organizations by the Board and Assessors

To promote nonprofit compliance with exemption law, the Board would be authorized to conduct audits to insure that claimants' organizational requirements are being met, and assessors would be authorized to audit to insure that claimants' property use requirements are met. Any noncompliance may result in assessors enrolling escape assessments.

5. Amend Corporations Code to Facilitate Qualification for Exemption Requirements

To include the specific language necessary for property tax exemption in the Corporations Code, so that nonprofit corporations in adopting their articles of incorporation may fully satisfy the organizational requirements for eligibility for the exemption upon their formation. Under current law, the language required for property tax exemption is located only in the Revenue and Taxation Code, necessitating many nonprofit organizations to later amend their articles to include that language.

If you have any questions on this matter, please contact me at (916) 323-7713.

Attachments 1 and 2.

JO:KEC:eb

Prop/prec/legislation/03/01kec

cc: Mr. Timothy W. Boyer, Interim Executive Director
Ms. Jean Ograd, MIC:83
Mr. David Gau, MIC:63
Mr. Dean Kinnee, MIC:64
Ms. Jennifer Willis, MIC:70

**WORKING DRAFT OF POSSIBLE LEGISLATIVE OPTIONS
FOR THE WELFARE EXEMPTION**

PROPERTY AND SPECIAL TAXES DEPARTMENT AND LEGAL DEPARTMENT

The following options for reducing the joint Board/assessor administration of the welfare exemption are provided for Board consideration:

- Option I: Elimination of duplicative review functions, so the Board will determine whether an *organization* is eligible for the welfare exemption and the county assessor will determine whether the *use of the property* is eligible for the welfare exemption. The assessor's determination of whether an organization's property use satisfies the requirements of section 214 will be made exclusively by the county assessor without review by the Board staff. (pp. 1-5) This option includes the following component:
 - Application of the exemption prospectively only to reduce drain on county funds and ensure that claimants timely file claims. (p.4)
- Option II: Five different appeals options for changing the current appeal process for denied exemptions, including staff's recommendation to eliminate the appeals and have claimants proceed to court, consistent with the remedy for all other property tax exemptions. (pp. 8-10)
- Option III: A one-time filing requirement in lieu of annual filing requirement for most claimants, with the exception of those claiming exemption for low income housing properties. (pp. 10-13) This option includes the following components:
 - Filing fees for first time filings of an organization's property and annual fees for low income housing properties exempt under section 214, subs. (f), (g), to reimburse counties for the cost of determining eligibility and reporting to the Board. (p.11)
 - Nonprofit organization self-reporting for non-compliance, with penalties for failure to report. (pp. 11-12)
- Option IV: Board and assessor audits of organizations to verify continuing qualification for the exemption. (pp. 13-14) This option includes the following component:
 - Board staff review of the assessors' administration of the Welfare and Veterans' Organization Exemptions as part of the assessment standards surveys conducted by Board staff to ensure proper administration of these exemptions. (p.14)
- Option V: Streamlining of compliance with exemption law requirements for articles of incorporation of nonprofit corporations. (pp. 14-16)

**1 Option for Legislation to Implement Streamlining of Administration
Process**

213.7. Volunteer fire department property.

(b) For purposes of subdivision (a), an organization shall not be deemed to be qualified as an exempt organization unless the organization files with the assessor a valid organizational clearance certificate issued by the board pursuant to Section 254.6. The board shall not issue an organizational clearance certificate unless the organization files the documents required by section 254.6. ~~duplicate copies of a~~

~~valid, unrevoked letter or ruling from either the Franchise Tax Board or, in the alternative, the Internal Revenue Service, which states that the organization qualifies as an exempt organization under the appropriate provisions of the Bank and Corporation Tax Law or the Internal Revenue Code.~~

214. Welfare exemption.

(a) (3) (C) Subparagraph (A) shall have no application in determining whether paragraph (3) has been satisfied unless the owner of the property and any other organization using the property as provided in subparagraph (A) have filed with the assessor a valid organizational clearance certificate issued by the board pursuant to section 254.6. ~~The board shall not issue an organizational clearance certificate unless the organization files the documents required by section 254.6, duplicate copies of valid unrevoked letters or rulings from the Internal Revenue Service that state that the owner and the other organization qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The owner of the property and any other organization using the property as provided in subparagraph (A) also shall file duplicate copies of their most recently filed federal income tax returns.~~

(D) For the purposes of determining whether the property is used for the actual operation of the exempt activity, consideration shall not be given to the use of the property for meetings conducted by any other organization if the meetings are incidental to the other organization's primary activities, are not fundraising meetings or activities as defined in subparagraph (B), are held no more than once per week, and the other organization and its use of the property meet all other requirements of paragraphs (1) to (5), inclusive, of subdivision (a). ~~The owner of the other organization also shall file with the assessor a valid organizational clearance certificate issued by the board pursuant to section 254.6. The board shall not issue an organizational clearance certificate unless the organization files the documents required by section 254.6, duplicate copies of valid, unrevoked letters or rulings from the Internal Revenue Service or the Franchise Tax Board stating that the other organization, or the national organization of which it is a local chapter or affiliate, qualifies as an exempt organization under Section 501(c)(3) or Section 501(c)(4) of the Internal Revenue Code or Section 23701d, 23701f, or 23701w, together with duplicate copies of that organization's most recently filed federal income tax return, if the organization is required by federal law to file a return.~~

214.01. Welfare exemption: Irrevocable dedication.

If, when performing the duties specified by Section ~~254.5~~254.6, the board finds that an applicant for the welfare exemption is ineligible ~~therefor~~ for an organizational clearance certificate, because at the time of the filing of the affidavit claim required by Section ~~254.5~~254.5, the applicant's articles of incorporation, or in the case of any noncorporate fund or foundation, its bylaws, articles of association, constitution or regulations, did not comply with the provisions of this section, the board shall notify the applicant in writing. The applicant shall have until the next succeeding lien date to amend its articles of incorporation, or in the case of any noncorporate fund or foundation, its bylaws, articles of association, constitution or regulations, and to file a certified copy of such amendments that conform to the provisions of this section with the board, and the board shall make a finding that the applicant, if otherwise qualified, is eligible for ~~the welfare exemption~~ an organizational clearance certificate and forward such finding to the ~~assessor~~applicant.

214.8. Welfare exemption: Limitation.

(b) For purposes of subdivision (a), an organization shall not be deemed to be qualified as an exempt organization unless the organization files with the assessor a valid organizational clearance certificate issued by the board pursuant to Section 254.6. ~~duplicate copies of a valid, unrevoked letter or ruling from either the Franchise Tax Board or, in the alternative, the Internal Revenue Service, which states that the~~

organization qualifies as an exempt organization under the appropriate provisions of the Bank and Corporation Tax Law or the Internal Revenue Code.

231. Property leased to government.

(k) For purposes of subdivision (d), a nonprofit corporation shall not be deemed to be qualified as an exempt organization unless the organization files with the assessor a valid organizational clearance certificate issued by the board pursuant to Section 254.6. ~~duplicate copies of a valid, unrevoked letter or ruling from either the Franchise Tax Board or, in the alternative, the Internal Revenue Service, which states that the organization qualifies as an exempt organization under the appropriate provisions of the Bank and Corporation Tax Law or the Internal Revenue Code.~~

254.5. Welfare exemption, Assessor duties.

(a) Affidavits for the welfare exemption and the veterans' organization exemption shall be filed ~~in duplicate~~ on or before February 15 of each year with the assessor. ~~The assessor shall not approve a property exemption claim until the claimant has been granted a valid organizational clearance certificate issued by the State Board of Equalization pursuant to Section 254.6. Affidavits of organizations filing for the first time shall be accompanied by duplicate certified copies of the financial statements of the owner and operator. Thereafter, financial statements shall be submitted only if requested in writing by either the assessor or the board. Copies of the affidavits and financial statements shall be forwarded not later than April 1 by the assessor with his or her recommendations for approval or denial to the board which shall review all claims for the welfare exemption to ascertain whether the property on which the exemption is claimed meets the property use requirements in section 214 et seq. The assessor's review shall include, but is not limited to the following matters: the affidavits and statements and may institute an independent audit or verification of the operations of the owner and operator to ascertain whether both the owner and operator meet the requirements of Section 214 of the Revenue and Taxation Code. In this connection the board shall consider, among other matters, whether:~~

- ~~(1) The services and expenses of the owner or operator (including salaries) are excessive, based upon like services and salaries in comparable public institutions.~~
- ~~(2) The operations of the owner or operator, either directly or indirectly, materially enhance the private gain of any individual or individuals.~~
- ~~(3) (1) Any capital investment of the owner or operator for expansion of a physical plant is justified by the contemplated return thereon, and required to serve the interests of the community.~~
- ~~(4) The (2) The property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary to the accomplishment of the exempt purpose.~~

~~(b) The board shall make a finding as to the eligibility of each applicant and the applicant's property and shall forward its finding to the assessor concerned. If the board conducts a hearing with respect to the eligibility of the applicant and the applicant's property, the finding shall be forwarded to the assessor concerned within 30 days after the decision is made by the board following the hearing. The assessor may deny the claim of an applicant that the board finds eligible but may not grant the claim of an applicant the board finds ineligible.~~

(b) The assessor may deny a claim for the welfare exemption for nonqualifying property use, notwithstanding that the organization claiming the exemption has been granted an organizational clearance certificate by the board.

(c) The exemption is effective prospectively only, as of the date the claim was received by the assessor.

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(If this option is chosen, further amendments to subdivisions are necessary.)

OPTION - Add Section 254.6 to the Revenue and Taxation Code, to read:

254.6. Welfare exemption, Board duties.

(a) The claim for an organizational clearance certificate shall be filed with the board. The board shall issue an organizational clearance certificate if the board determines that the claimant is an organization that is organized and operated in compliance with the requirements set forth in Section 214 of the Revenue and Taxation Code. In making the determination the board shall consider, among other matters, whether:

- (1) The services and expenses of the owner or operator (including salaries) are excessive, based upon like services and salaries in comparable public or private institutions;
- (2) The operations of the owner or operator, either directly or indirectly, materially enhance the private gain of any individual or individuals;

(b) Organizations filing for an organizational clearance certificate for the first time shall provide their corporate identification number, mailing address and the following documents:

- (1) A copy of the organization's financial statements
- (2) A certified copy of the articles of incorporation, and any amendments, or in the case of any noncorporate fund or foundation, its bylaws, articles of association, constitution or regulations, and any amendments
- (3) A copy of a valid, unrevoked letter or ruling from either the Franchise Tax Board or, in the alternative, the Internal Revenue Service, which states that the organization qualifies as an exemption organization under the appropriate provisions of the Bank and Corporation Tax Laws or the Internal Revenue Code.

(c) Once granted, an organizational clearance certificate shall remain valid until such time as the organization no longer meets the organizational requirements of Section 214. If the board determines that the organization no longer meets the requirements of Section 214, the board shall revoke the certificate and notify assessors of the revocation.

(d) If after review of a complete claim, the board does not grant an organizational clearance certificate, or in cases when the board has revoked the certificate based on a determination that the organization no longer meets the requirements of Section 214, [Appeal remedy to be determined]

259.5. Welfare exemption affidavit.

The affidavit claim for the welfare exemption shall show that both the property use and the owner meet all the requirements entitling the property to the exemption requirements are met, and that the owner has a valid organizational clearance certificate pursuant to Section 254.6.

259.7. Veterans' organization exemption affidavit.

The affidavit claim for the veterans' organization exemption shall show that ~~both the property use and the owner meet all the requirements entitling the property to the exemption requirements are met, and that the organization has a valid organizational clearance certificate issued by the board pursuant to Section 254.6.~~

272. Action by assessor.

Notwithstanding any other provision of law, whenever a valid application for exemption ~~of the property~~ is filed pursuant to Section 270 or 271 and the assessor ~~receives the board finding pursuant to Section 254.5~~ grants the claim prior to the completion of the roll for the year for which the exemption is claimed, the assessor shall enroll the property so as to provide for the amount of exemption on the property's assessed value as provided by the applicable section.

When the application for exemption ~~on the property or the finding of the board for that application~~ is received after completion of the roll ~~or the assessor grants the claim after the completion of the roll~~, the assessor shall initiate an action to correct the roll by addition of the appropriate amount of exemption on the property. Upon notification by the assessor, the auditor shall make the appropriate adjustment on the roll.

2 Options for Legislative Amendments to Implement Appeals Process for Denial of Exemption Claims

Alternative 1 – Eliminate Appeals – Denied Claimants Proceed to Superior Court

254.5. Welfare exemption, Assessor duties.

~~(b) The assessor shall make a finding as to the eligibility of each organization. If the assessor makes a finding of ineligibility, the assessor shall notify the claimant in writing and advise the claimant of the right to file a claim for refund as provided in Revenue and Taxation Code section 5096 et seq. The assessor may deny a claim for the welfare exemption on a property, notwithstanding that the organization claiming the exemption has been granted an organizational clearance certificate by the board. The board shall make a finding as to the eligibility of each applicant and the applicant's property and shall forward its finding to the assessor concerned. If the board conducts a hearing with respect to the eligibility of the applicant and the applicant's property, the finding shall be forwarded to the assessor concerned within 30 days after the decision is made by the board following the hearing. The assessor may deny the claim of an applicant that the board finds eligible but may not grant the claim of an applicant the board finds ineligible.~~

Option - Add Section 254.6 to the Revenue and Taxation Code, to read:

254.6. Welfare exemption, Board duties.

(a) The claim for an organizational clearance certificate shall be filed with the board on or before February 15. The board shall issue an organizational clearance certificate if the board determines that the claimant is an organization that is organized and operated in compliance with the requirements set forth in Section 214 of the Revenue and Taxation Code. In making the determination the board shall consider, among other matters, whether:

- (1) The services and expenses of the owner or operator (including salaries) are excessive, based upon like services and salaries in comparable public or private institutions;
- (2) The operations of the owner or operator, either directly or indirectly, materially enhance the private gain of any individual or individuals;

(b) Claims of organizations filing for an organizational clearance certificate for the first time shall be accompanied by:

- (1) A copy of the financial statements
- (2) A certified copy of the articles of incorporation, and any amendments, or in the case of any noncorporate fund or foundation, its bylaws, articles of association, constitution or regulations, and any amendments.
- (3) A copy of a valid, unrevoked letter or ruling from either the Franchise Tax Board or, in the alternative, the Internal Revenue Service, which states that the organization qualifies as an exemption organization under the appropriate provisions of the Bank and Corporation Tax Laws or the Internal Revenue Code.

(c) Once granted, an organizational clearance certificate shall remain valid until such time as the organization no longer meets the organizational requirements of Section 214. If the board determines that the organization no longer meets the requirements of Section 214, the board shall revoke the certificate and notify the assessor of the revocation.

(d) If after review of a complete claim, the board does not grant an organizational clearance certificate, or in cases when the board has revoked the certificate based on a determination that the organization no longer meets the requirements of section 214, the Board shall notify the claimant in writing and advise the claimant of the right to file a claim for refund as provided in Revenue and Taxation Code section 5096 et.seq.

Alternative 2 – All Appeals with Board and Decision Final

Option - Add Section 254.8 to the Revenue and Taxation Code, to read:

(a) If the board staff finds any applicant to be ineligible for the welfare exemption for failure to meet the organizational requirements, the board shall notify the organization in writing and shall advise the organization of the right to appeal the findings. If the assessor finds the applicant's property use to be ineligible, the assessor shall notify the claimant in writing and shall advise the claimant of the right to appeal the findings. The claimant may file an appeal of the board staff's finding, the assessor's finding or both findings of ineligibility with the board within 60 days of the date of mailing of the last notice of ineligibility.

(b) The appeal of the finding shall be in writing and shall state the specific grounds upon which the appeal is founded. The board shall conduct a hearing on the appeal in accordance with any rules of notice, procedure, and briefing as the board shall prescribe. The parties to the hearing shall be the claimant appealing the finding of ineligibility and either the board staff, assessor staff, or both staffs depending upon the finding(s) appealed. The parties may agree in writing to submit the matter to the board for decision without hearing. The board shall provide written findings and conclusions or a written decision to support its decision.

Alternative 3 – Both Board and County Appeals Allowed

Option - Add Section 254.8 to the Revenue and Taxation Code, to read:

(a) If the board staff finds any organization to be ineligible for the welfare exemption, the claimant may file an appeal of the board staff's finding of ineligibility with the Board within 60 days of the date of mailing of the final notice of ineligibility.

(b) The appeal of the board staff's finding shall be in writing and shall state the specific grounds upon which the appeal is founded. The board shall conduct a hearing on the appeal in accordance with any rules of notice, procedure, and briefing as the board shall prescribe. The parties to the hearing or proceeding shall be the department staff and the claimant appealing the finding of ineligibility. The department staff and the claimant may agree in writing to submit the matter to the board for decision without hearing. The Board shall provide written findings and conclusions or a written decision to support its decision.

Option - Add Section 254.9 to the Revenue and Taxation Code, to read:

(a) If the assessor finds the applicant's property to be ineligible for the welfare exemption, the assessor shall notify the claimant in writing and shall advise the claimant of the right to appeal the finding as set forth in this section. The claimant may file an application appealing the finding or findings of ineligibility with the assessment appeals board or board of equalization of the county, which application must be filed no later than 60 days after the date of mailing of the final notice of ineligibility.

(b) The application appealing the finding or findings shall be in writing and shall state the specific grounds upon which the appeal is founded. The appeals board shall conduct a hearing on the application pursuant to Article 1 (commencing with Section 1601 of Chapter 1 of Part 3) and in accordance with property tax rules and local rules of notice and procedure. The parties to the hearing shall be the claimant appealing the finding of ineligibility and the assessor.

Section 1604 Regular equalization period.

(b) In all other counties, annually, on the third Monday in July, the county board shall meet to equalize the assessment of property on the local roll. It shall continue to meet for that purpose, from time to time, until the business of equalization is disposed of.

Any taxpayer may petition the board for a reduction in an assessment and a proportionate reduction or refund of the taxes extended thereon by filing an application pursuant to Section 1603 or Section 5097.

~~The county board shall have no power to receive or hear any petition for a reduction in an escaped assessment made pursuant to Section 531.1 nor a penal assessment levied in respect thereto, nor to reduce those assessments.~~

Section 1605.5 Property subject to change in ownership or newly constructed.

(a)(1) The county board shall hear applications for a reduction in an assessment in cases in which the issue is whether or not property has been subject to a change in ownership, as defined in Chapter 2 (commencing with Section 60) of Part 0.5, or has been newly constructed, as defined in Chapter 3 (commencing with Section 70) of Part. 05.

(2) The county board shall hear applications appealing denials of welfare exemption claims based on the assessor's finding that the claimant's property failed to meet the use requirements as defined in section 214 et.seq. Such an application must be timely filed within the period specified in section 254.9.

Alternative 4 – All Appeals with County, with Adoption of County Ordinance

Option - Add Section 254.8 to the Revenue and Taxation Code, to read:

- (a) If the board staff finds any organization to be ineligible for the welfare exemption, the board shall notify the organization in writing and shall advise the organization of the right to appeal the findings, as set forth in this section.
- (b) If the assessor finds the applicant's property to be ineligible for the welfare exemption, the assessor shall notify the claimant in writing and shall advise the claimant of the right to appeal the finding as set forth in this section.
- (c) The claimant may file an application appealing the finding or findings of ineligibility with the assessment appeals board of the county, which application must be filed no later than 60 days after the date of mailing of the notice of ineligibility, provided that the county has adopted an ordinance, as specified in section 1605.5, authorizing the assessment appeals board, or board of equalization to hear and decide denials of claims for welfare exemption. If the county has not adopted an ordinance as specified in section 1605.5, the claimant may file an application appealing the finding or findings of ineligibility with the Board of Equalization, pursuant to the provisions of Articles 6 and 7 of the Board's Rules of Practice.
- (d) The application appealing the finding or findings to the assessment appeals board shall be in writing and shall state the specific grounds upon which the appeal is founded. The appeals board shall conduct a hearing on the application pursuant to Article 1 (commencing with Section 1601 of Chapter 1 of Part 3) and in accordance with property tax rules and local rules of notice and procedure. The parties to the hearing shall be the claimant appealing the finding of ineligibility and the assessor.
- (e) If the county has not adopted an ordinance, as specified in section 1605.5, the claimant may file an appeal of the board's and/or the assessor's finding(s) of ineligibility with the board within 60 days of the board's mailing of the notice of ineligibility.
- (f) The appeal of exemption denial(s) shall be in writing and shall state the specific grounds upon which the appeal is founded. The board shall conduct a hearing on the appeal in accordance with any rules of notice, procedure and briefing as the Board shall prescribe.
- (g) In a case where the Board conducts a hearing with respect to the eligibility of an organization and/or its property use, findings shall be forwarded to the organization and the assessor concerned within 30 days of the Board decision.

Section 1604 Regular equalization period.

- (a) In counties of the first class, annually, on the fourth Monday in September, the county board shall meet to equalize the assessment of property on the local roll. The board shall continue to meet for that purpose, from time to time, until the business of equalization is disposed of.

(b) In all other counties, annually, on the third Monday in July, the county board shall meet to equalize the assessment of property on the local roll. It shall continue to meet for that purpose, from time to time, until the business of equalization is disposed of.

(1) Any taxpayer may petition the board for a reduction in an assessment and a proportionate reduction or refund of the taxes extended thereon by filing an application pursuant to Section 1603 or Section 5097.

~~(2) Except as provided in subpart (3) of this subsection, the county board shall have no power to receive or hear any petition for a reduction in an escaped assessment made pursuant to Section 531.1 nor a penal assessment levied in respect thereto, nor to reduce those assessments.~~

~~(3) The county board shall have the no power to receive or to hear and decide any petition for a reduction in an escaped assessment or a penal assessment made pursuant to Section 531.1 nor a penal assessment levied in respect thereto, nor to reduce those assessments for an incorrectly allowed welfare exemption.~~

Section 1605.5. Property subject to change in ownership or newly constructed.

(a)(1) The county board shall hear applications for a reduction in an assessment in cases in which the issue is whether or not property has been subject to a change in ownership, as defined in Chapter 2 (commencing with Section 60) of Part 0.5, or has been newly constructed, as defined in Chapter 3 (commencing with Section 70) of Part 0.5.

~~(2) If the county board of supervisors has adopted an ordinance as described in subdivision (a)(4) of this section, the assessment appeals board or board of equalization shall hear applications appealing denials of welfare exemption claims. Such an application must be timely filed with the period specified in section 254.9.~~

(2) (3) In any county that has established an assessment appeals board, the board of supervisors may, by ordinance, provide that it shall act as the county board of equalization for the purpose of hearing applications pursuant to this subdivision.

~~(4) The board of supervisors may, by ordinance, authorize the assessment appeals board or board of equalization of the county to hear applications appealing denials of welfare exemption claims.~~

Alternative 5 – Board Appeal on Organization, but No Appeal on Property Use

Option - Add Section 254.8 to the Revenue and Taxation Code, to read:

(a) If the board staff finds any organization to be ineligible for the welfare exemption, the claimant may file an appeal of the board staff's finding of ineligibility with the board within 60 days of the date of mailing of the notice of ineligibility.

(b) The appeal of the board staff's finding shall be in writing and shall state the specific grounds upon which the appeal is founded. The board shall conduct a hearing on the appeal in accordance with any rules of notice, procedure, and briefing as the board shall prescribe. The parties to the hearing or proceeding shall be the department staff and the claimant appealing the finding of ineligibility. The

department staff and the claimant may agree in writing to submit the matter to the board for decision without hearing. The board shall provide written findings and conclusions or a written decision to support its decision.

Option - Add Section 254.9 to the Revenue and Taxation Code, to read:

If the assessor finds the applicant's property to be ineligible for the welfare exemption, the assessor shall notify the claimant in writing and shall advise the claimant of the right to file a claim for refund with the county, and if denied, file a refund action in superior court..

3 Options for Legislation to Implement One-Time Filing Requirement

254.5. Welfare exemption, Assessor duties.

~~(a) Affidavits for the welfare exemption and the veterans' organization exemption shall be filed in duplicate on or before February 15 of each year with the assessor. The assessor shall not approve a property exemption claim until the claimant has been granted a valid organizational clearance certificate issued by the State Board of Equalization pursuant to Section 254.6. Affidavits of organizations filing for the first time shall be accompanied by duplicate certified copies of the financial statements of the owner and operator. Thereafter, financial statements shall be submitted only if requested in writing by either the assessor or the board. Copies of the affidavits and financial statements shall be forwarded not later than April 1 by the assessor with his or her recommendations for approval or denial to the board which shall review all claims for the welfare exemption to ascertain whether the property on which the exemption is claimed meets the property use requirements in section 214 et seq. The assessor's review shall include, but is not limited to the following matters: the affidavits and statements and may institute an independent audit or verification of the operations of the owner and operator to ascertain whether both the owner and operator meet the requirements of Section 214 of the Revenue and Taxation Code. In this connection the board shall consider, among other matters, whether:~~

~~(1) The services and expenses of the owner or operator (including salaries) are excessive, based upon like services and salaries in comparable public institutions.~~

~~(2) The operations of the owner or operator, either directly or indirectly, materially enhance the private gain of any individual or individuals.~~

~~(3) (1) Any capital investment of the owner or operator for expansion of a physical plant is justified by the contemplated return thereon, and required to serve the interests of the community.~~

~~(4) The (2) The property on which the exemption is claimed is used for the actual operation of an exempt activity and does not exceed an amount of property reasonably necessary to the accomplishment of the exempt purpose.~~

~~(b) The board shall make a finding as to the eligibility of each applicant and the applicant's property and shall forward its finding to the assessor concerned. If the board conducts a hearing with respect to the eligibility of the applicant and the applicant's property, the finding shall be forwarded to the assessor concerned within 30 days after the decision is made by the board following the hearing. The assessor may deny the claim of an applicant that the board finds eligible but may not grant the claim of an applicant the board finds ineligible.~~

(b) The assessor may deny a claim for the welfare exemption for nonqualifying property use, notwithstanding that the organization claiming the exemption has been granted an organizational clearance certificate by the board.

(c) The exemption is effective prospectively only for claimants seeking exemption for the first time on each property location, as of the date the claim was received by the assessor.

(d) An applicant granted a welfare exemption on its property pursuant to section 214 et. seq. shall not be required to reapply for the welfare exemption in any subsequent year in which there has been no transfer of, or other change in title to the exempted property, and the property use satisfies the requirements in section 214.

(e) Notwithstanding subdivision (a), affidavits for property granted exemption pursuant to section 214, subdivision (f), based on family household income, or pursuant to section 214, subdivision (g), shall be filed on or before February 15 of each year with the assessor.

* * * * *

(If this option is chosen, further amendments to subdivisions are necessary.)

Option - Add Section 254.7 to the Revenue and Taxation Code, to read:

254.7. Filing Fees: First-time and annual filings; Reporting ineligibility: Penalties.

(a) In order to prevent improper and ineligible exemptions of property throughout the state, county assessors shall report to the Board annually, in a manner prescribed by the Board, all claims which are granted for the first time and all existing or annual claims which are deemed ineligible.

(b) First-time filing fee. A fee of \$50 shall be charged and collected by the county from a welfare organization upon the initial filing of each property location under section 254.5, of an affidavit for the welfare exemption (pursuant to section 214 et seq.)

(c) Annual filing. In addition to the fee described in subdivision (b), a fee of \$50 shall annually be charged and collected by the county from all organizations qualifying for low income housing properties for exemption pursuant to subdivisions (f) and (g) of section 214, for affidavits filed under section 254.5 on or before February 15. Affidavits of claimants already receiving the exemption that are filed after February 15 or are filed incomplete are subject to a fee of \$250 per property location to be charged and collected by the county.

(d) Reporting of ineligibility by welfare organizations. Once qualified for the welfare exemption under section 214 et seq., a welfare organization is responsible for notifying the assessor when the organization or real property location no longer meets the requirements for eligibility, within 60 days of the disqualifying event. Disqualifying events include, but are not limited to, the following:

- (1) the organization no longer has an exempt purpose.
- (2) the organization has dissolved.
- (3) the limited partnership qualifying for an exemption under subdivision (g) of section 214, no longer has a non-profit corporation as its managing general partner.
- (4) the organization's property does not meet the use requirements in section 214.
- (5) the property has been transferred to a non-qualified organization.

A penalty of 25% of the exempted tax not to exceed \$2,500 shall be charged and collected by the county to the owner of the property for failure to notify the assessor within 60 days of the disqualifying event for each property location that no longer qualifies for the exemption.

Section 255. Time to file affidavits

(a) Affidavits required for exemptions named in this article, except the homeowners' exemption, shall be filed with the assessor between the lien date and 5 p.m. on February 15. Welfare exemption affidavits are to be filed pursuant to the requirements in sections 254.5 and 254.6.

(b) Affidavits for the homeowners' exemption except as otherwise provided in Sections 255.1, 255.2, and 275, shall be filed with the assessor any time after the claimant becomes eligible but no later than 5 p.m. on February 15.

(c) Notwithstanding the provisions of subdivision (a), any claimant who has been found ineligible for the church exemption or the religious exemption may file an affidavit for a welfare exemption. Affidavits for the welfare exemption filed pursuant to this subdivision shall be filed within 15 days from the date of notification by the assessor of the claimants' ineligibility for the church exemption or the religious exemption.

Section 270. Late filing; partial cancellation of tax.

(a) With respect to property as to which the college, cemetery, church, religious, exhibition, veterans' organization, free public libraries, free museums, public schools, community colleges, state colleges, state universities, tribal housing, or welfare exemption was available but for which a timely application for exemption was not filed:

(1) Ninety percent of any tax or penalty or interest thereon shall be canceled or refunded provided an appropriate application for exemption is filed on or before the lien date in the calendar year next succeeding the calendar year in which the exemption was not claimed by a timely application.

(2) If the application is filed after the date specified in paragraph (1), 85 percent of any tax or penalty or interest thereon shall be canceled or refunded provided an appropriate application for exemption is filed and relief is not authorized under Section 214.01 or 271.

(b) Notwithstanding the provisions of subdivision (a), any tax or penalty or interest thereon exceeding two hundred fifty dollars (\$250) in total amount shall be canceled or refunded provided it is imposed upon property entitled to relief under subdivision (a) for which an appropriate claim for exemption has been filed.

(c) With respect to claimants seeking exemption for the first time on each property location, property as to which the welfare exemption or veterans' organization exemption was available, the exemption is effective prospectively only as of the date the claim was received by the assessor. If a timely application was not filed, the provisions of subdivision (a)(1) applies, but not subdivision (a)(2). All provisions of Section 254.5, other than the specified dates for the filing of affidavits and other acts, are applicable to this section.

(d) With respect to claimants filing for the first time on each property location, section 254.5 subdivision c applies.

Section 272. Action by Assessor

Notwithstanding any other provision of law, whenever a valid application for exemption is filed pursuant to ~~Section 270 or 271~~ and the assessor receives the board finding pursuant to Section 254.5 prior to the

completion of the roll for the year for which the exemption is claimed, the assessor shall enroll the property so as to provide for the amount of exemption on the property's assessed value as provided by the applicable section.

When the application for exemption or the finding of the board for that application is received after completion of the roll, the assessor shall initiate an action to correct the roll by addition of the appropriate amount of exemption on the property. Upon notification by the assessor, the auditor shall make the appropriate adjustment on the roll.

Where authorized under the provisions of this article, the tax, penalty or interest thereon subject to cancellation or refund shall be canceled pursuant to Article 1 (commencing with Section 4985) of Chapter 4 of Part 9, as if it had been levied or charged erroneously, and, if paid, a refund thereof shall be made pursuant to Article 1 (commencing with Section 5096) of Chapter 5 of Part 9 as if it had been erroneously collected. The amount of tax, penalty or interest which is not canceled or refunded under this article with respect to property tax exemptions covered by this article and filed late may be paid in installments as provided in Chapter 3 (commencing with Section 4186) of Part 7.

4 Option for Legislative Amendments to Provide for Audits of Nonprofit Organizations by the Board and Assessors

Option - Assessor duties - Subdivisions (f) and (g) are added to section 254.5 of the Revenue and Taxation Code, to read:

(f) The assessor may conduct audits of claimants to ensure that the property on which the exemption is claimed is used exclusively for religious, hospital, scientific, or charitable purposes as required in section 214. Audit could be limited to a review of claimant's records to identify proper use of property. Upon completion of an audit, the claimant shall be given the assessor's findings in writing with respect to findings that alter the claimant's eligibility. If the claimant does not agree with the assessor's findings with respect to findings that alter the eligibility of the property, the claimant may appeal the findings as authorized by this Part.

(g) If the audit results in a determination that the property no longer is eligible for the exemption, in any case in which locally assessable trade fixtures and business tangible personal property owned, claimed, possessed, or controlled by a taxpayer engaged in a profession, trade, or business has a full value of four hundred thousand dollars (\$400,000) or more, the assessor shall audit the books and records of that profession, trade, or business in compliance with Section 469.

Option - Board duties - Subdivisions (e) and (f) are added to section 254.6 of the Revenue and Taxation Code, to read:

(e) The Board may conduct audits of organizations, at least once each four years, to ensure that the claimant is an organization that is organized and operated in compliance with the requirements set forth in section 214. Upon completion of the audit, the organization shall be given the Board's findings in writing with respect to findings that alter the claimant's eligibility.

(1) If the Board determines that the organization no longer meets the requirements of Section 214, the board shall revoke the certificate of eligibility issued pursuant to subdivision (a) and notify the assessors of the revocation.

(2) If exemption revoked subsequent to an appeal on audit findings of ineligibility of organization and/or property use, the claimant is subject to penalties pursuant to section 254.7.

(f) The Board shall review the assessor's administration of the welfare exemption as part of the Board's survey of the county assessment roll to ensure proper administration of the exemption.

5 Option for Legislation to Amend Corporations Code to Facilitate Qualification for Exemption Requirements

CORPORATIONS CODE

Title 1 Division 2 Nonprofit Public Benefit Corporation Law, Article 3 - Articles of Incorporation

Option - Add Section 5135, Articles; Required provisions; dedication and dissolution clauses, property of organization, to the Corporations Code, to read:

(a) The articles of incorporation of a corporation formed under this part shall set forth the following provisions:

1. A statement of irrevocable dedication of the corporation's property, to one or more of the following purposes: religious, hospital, charitable or scientific.

(i) In the case of corporation that irrevocably dedicates its property to educational purposes, the statement of irrevocable dedication is to charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

2. A statement that upon the liquidation, dissolution or abandonment of the corporation, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for one or more of the following purposes: religious, hospital, scientific or charitable.

(i) If the corporation's property is to be distributed to an organization organized in whole or in part for charitable and educational purposes, a statement that upon the liquidation, dissolution or abandonment of the corporation, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

Title 1, Division 2 Nonprofit Religious Corporations, Article 3 - Articles of Incorporation

Option - Add Section 9135, Articles; Required provisions; dedication and dissolution clauses, property of organization to the Corporations Code, to read:

(a) The articles of incorporation of a corporation formed under this part shall set forth the following provisions

1. A statement of irrevocable dedication of the corporation's property to religious, purposes.

(i) In the case of a religious corporation organized in part for charitable, hospital, or scientific purposes, the statement of irrevocable dedication of its property is to religious purposes and to charitable, hospital or scientific purposes.

(ii) In the case of religious corporation that is organized in part for educational purposes, the statement of irrevocable dedication of its property is to religious purposes and to charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

2. A statement that upon the liquidation, dissolution or abandonment of the religious corporation, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for one or more of the following purposes: religious, hospital; scientific or charitable.

(i) If the corporation's property is to be distributed to a corporation organized in part for charitable and educational purposes, a statement that upon the liquidation, dissolution or abandonment of the corporation, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

Title 1, Division 2, Part 4, Nonprofit Religious Corporations, Chapter 6 - Corporations Sole

Option - Add Section 1006, Articles; Required provisions; dedication and dissolution clauses, property of organization to the Corporations Code, to read:

(a) The provisions of this section apply to all corporations sole organized after January 1, 2004.

(b) The articles of incorporation of a corporation sole formed under this part shall set forth the following provisions

1. A statement of irrevocable dedication of the corporation's property to religious, purposes.

(i) In the case of a corporation sole organized in part for charitable, hospital, or scientific purposes, the statement of irrevocable dedication of its property is to religious purposes and to charitable, hospital or scientific purposes.

(ii) In the case of a corporation sole organized in part for educational purposes, the statement of irrevocable dedication of its property is to religious purposes and to charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

2. A statement that upon the liquidation, dissolution or abandonment of the corporation sole, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for one or more of the following purposes: religious, hospital; scientific or charitable.

(i) If the property of the corporation sole is to be distributed to a corporation organized in part for charitable and educational purposes, a statement that upon the liquidation, dissolution or abandonment of the corporation sole, its property will not inure to the benefit of any private person, and shall be distributed to a nonprofit fund, foundation, or corporation organized and operated exclusively for charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code.

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II. APPEAL OPTIONS

ALTERNATIVES FOR BOARD CONSIDERATION	PROS AND CONS
<p>Alternative 1 — Eliminate Appeals – Denied Claimants Proceed to Superior Court</p> <ul style="list-style-type: none"> If the organization is denied exemption by Board staff, the staff will notify the claimant. Claimant may file a claim for refund with the county and file a refund action in superior court. If the claimant's property is denied exemption by the assessor, the assessor will notify the claimant. Claimant may file a claim for refund with the county and file a refund action in superior court. <p>Board Decision</p> <p>Amendment of section 254.5, and addition of section 254.6 (See Attachment 1, Working Draft of Suggested Legislative Changes, pp. 5-6).</p>	<p>Pros</p> <ul style="list-style-type: none"> Consistent with appeal rights for all other exemption claimants. Determination of exemption qualification is primarily a legal issue. Significant cost savings for state and local governments. <p>Cons</p> <ul style="list-style-type: none"> No administrative appeal, remedy requires litigation.
<p>Alternative 2 – All Appeals with Board and Decision Final</p> <ul style="list-style-type: none"> If the organization is denied exemption by Board staff, or if the claimant's property is denied exemption by the assessor, the claimant could file an appeal with the Board. The Board's decision is final. Claimant may file a claim for refund of property taxes with the county and file a refund action in superior court, upon denial by the Board. <p>Board Decision</p> <p>Amendment to add section 254.8 (See Attachment 1, p. 6)</p>	<p>Pros</p> <ul style="list-style-type: none"> Provides administrative remedy to appeal Board staff's or assessor's denial of eligibility. Avoids litigation time and expense in some cases. <p>Cons</p> <ul style="list-style-type: none"> Likely opposition from county assessors, who opposed prior legislation (SB 2235), with Board's decision binding on assessor.
<p>Alternative 3 – Both Board and County Appeals Allowed</p> <ul style="list-style-type: none"> If the organization is denied exemption by Board staff, the claimant could file an appeal with the Board on organizational issues. If the claimant's property is denied exemption by the assessor, the claimant could file an appeal with the local assessment appeals board on property use issues. Claimant may file a claim for refund of property taxes with the county and file a refund action in superior court, upon denial by one or both boards. <p>Board Decision</p> <p>Amendment to add sections 254.8, and 254. 9 and to amend sections 1604, and 1605.5. (See Attachment 1, pp. 7-8)</p>	<p>Pros</p> <ul style="list-style-type: none"> Provides administrative appeal of assessor's finding at county level. Administrative remedy avoids litigation time and expense. <p>Cons</p> <ul style="list-style-type: none"> May impose state mandate on local appeals boards. Increases costs to both state and local government.

II. APPEAL OPTIONS

ALTERNATIVES FOR BOARD CONSIDERATION	PROS AND CONS
<p>Alternative 4 – All Appeals with County, with Adoption of County Ordinance</p> <ul style="list-style-type: none"> • If the county adopts an ordinance authorizing assessment appeals board jurisdiction on exemption denials, the claimant can file an appeal with that board to contest [BOE] board denial for organizational ineligibility and assessor denial for nonqualifying property use. • If the county does not adopt an ordinance, the claimant can file an appeal with the Board on both organizational ineligibility and nonqualifying property use issues. • Claimant may file a claim for refund of property taxes with the county and file a refund action in superior court, upon denial by the local appeals board or [BOE] board. <p>Board Decision Amendment to add section 254.8, and amend sections 1604, and 1605.5 (See Attachment 1, pp. 8-9)</p>	<p>Pros</p> <ul style="list-style-type: none"> • Provides administrative appeals of assessor's finding at county level, avoiding litigation time and expense. • No state mandate on local appeals boards due to county option. <p>Cons</p> <ul style="list-style-type: none"> • Lack of uniformity for administrative remedy for claimants with property in different counties.
<p>Alternative 5 – Board Appeal on Organization, but No Appeal on Property Use</p> <ul style="list-style-type: none"> • If the organization is denied exemption by Board staff, for failure to meet organizational requirements, the claimant could file an appeal with the Board. Claimant may file a claim for refund of property taxes with the county and file a refund action in superior court, upon denial by the Board. • If the organization is denied exemption by the assessor, for nonqualifying property use, claimant may file a claim for refund of property taxes with the county and file a refund action in superior court. <p>Board Decision Amendment to add sections 254.8, and 254.9 (See Attachment 1, pp. 9-10)</p>	<p>Pros</p> <ul style="list-style-type: none"> • Consistent with proposed division of review function, with Board determining organizational eligibility and county determining eligibility of property use. • Provides administrative remedy to appeal Board's findings, avoiding litigation time and expense. <p>Cons</p> <ul style="list-style-type: none"> • Does not avoid litigation time and expense for assessor denials since claimant required to appeal to superior court. • Costly for nonprofit organizations.

ADMINISTRATIVE OPTIONS

OPTIONS FOR BOARD CONSIDERATION	PROS AND CONS
<p>Option 3 – Legislation to Provide One-time Filing Requirement</p> <ol style="list-style-type: none"> Provides one-time filings for the property of most nonprofit organizations, with the exception of low income housing properties exempt under sections 214, subdivision (f) and 214, subdivision (g). Provides for self-reporting for noncompliance and penalties for failure to report First time filing fees and annual filing fees to assessor. <p>Board Decision</p> <p>Amendment of sections 254.5, 255, 270, and 272, and addition of section 254.7 (See Attachment 1, pp. 10-13).</p>	<p>Pros</p> <ul style="list-style-type: none"> Nonprofit friendly, lessens assessor workload, reduces costs for nonprofits and assessors. Reduces revenue loss from late-filed claims. <p>Con</p> <ul style="list-style-type: none"> Less oversight could result in less compliance initially.
<p>Option 4 – Legislation to Authorize Audits of Nonprofit Organizations by the Board and Assessors</p> <ul style="list-style-type: none"> Provides for the Board audit of claimants to verify that each organization continues to maintain its organizational eligibility. Provides for Assessor audit of claimants to verify that the organization's qualifying property use continues. <p>Board Decision</p> <p>Amendment of section 254.5 and addition of language to suggested section 254.6 (See Attachment 1, pp. 13-14).</p>	<p>Pros</p> <ul style="list-style-type: none"> Potential revenues increase from audit resulting from ineligibility. Provides compliance procedure to ensure that claimants continue to meet exemption requirements. <p>Cons</p> <ul style="list-style-type: none"> Creates an additional duty for assessors and Board staff. May create a state mandate.
<p>Option 5 – Legislation to Amend Corporations Code to Facilitate Qualification for Exemption Requirements</p> <ul style="list-style-type: none"> Allow nonprofit corporations to satisfy language requirements in their articles of incorporation when filing for incorporation, rather than current process generally requiring additional amendments to articles upon filing of exemption claim. <p>Board Decision</p> <p>Amendment of Corporations Code to add sections 5135, 9135 and 1006 (See Attachment 1, pp. 14-16).</p>	<p>Pros</p> <ul style="list-style-type: none"> Lessens workload Reduces delays in approval process. Cost reduction for nonprofit corporations and the Board. <p>Cons</p> <ul style="list-style-type: none"> Still requires review of some governing documents.