

880.0600 (c) WELFARE EXEMPTION—HOSPITAL PURPOSES

880.0625 Gift Shops. A gift shop operated by the owner hospital or by a hospital auxiliary on a nonprofit basis with net revenues, if any, expended for the direct benefit of the hospital may qualify for exemption. Both the owner hospital and operator, e.g., an auxiliary that is a separate organization, must meet the requirements for exemption. C 2/29/88.

880.0630 Laboratory. If a hospital operates a medical laboratory as a "reference laboratory" that accepts referrals from private physicians to assist patients not otherwise being served by the hospital, the laboratory will be ineligible for the exemption, even though any gain from fees may be used for general hospital purposes. C 3/19/97.

880.0640 Leased Property. While hospital property may be used by licensed physicians for the practice of their profession without losing exemption, the lease of a portion of a hospital property to a for-profit corporation owned, in part, by some of the hospital's physicians disqualifies that leased portion of the property. C 10/19/87.

880.0641 Leased Property. While specific statutory and regulatory provisions may allow a single member limited liability company (LLC) to disregard its separate existence for purposes of income tax filing, there is no authority for disregarding an LLC's separate entity status for purposes of ownership, operation, or use of property in determining eligibility for the welfare exemption under Revenue and Taxation Code section 214.

Accordingly, machinery and equipment purchased and owned by an LLC whose single member is a qualifying medical center and leased to the medical center will not be eligible for the exemption. However, machinery and equipment purchased and owned by a qualifying entity and leased to the medical center for use consistent with the "needs of hospital" provision of section 214.11 could be eligible for the exemption. C 3/1/99.

880.0645 Leased Property. A nonprofit hospital corporation that has qualified for the exemption is not subject to general property taxes measured by the value of hospital equipment "leased" to it by a national banking corporation. OAG 11/3/78 (No. CV 78-58, Vol. 61, p. 472).

880.0660 Needs of Hospitals. Under Revenue and Taxation Code section 214.11, as amended in 1983, while nonprofit (nongovernmental) hospitals must file and qualify for the exemption before the service organization can receive the exemption, filings by hospital districts or by state or federal hospitals are not required since they are nontaxable governmental entities. Service organizations claiming the exemption must include with their claims a list of all organizations they provide services to. Because property must be "used exclusively" for exempt purposes, the servicing of an organization that does not file and qualify as a hospital for the exemption, with the exceptions stated above, is sufficient cause to deny the exemption for the entire property of the service organization. LTA 3/16/84 (No. 84/35).

880.0670 Owner/Operator. Generally, all departments in a hospital are eligible for exemption if the hospital and property satisfy all exemption requirements. However, when a hospital contracts with an outside entity to run a department, that operator, whether denominated a lessee, operator, or otherwise, must also meet the requirements for exemption. The fact that the "use" agreement is advantageous to all parties is not determinative. C 2/10/88.

880.0690 Surplus Revenue. A non-profit hospital which earns surplus revenue in excess of ten percent during the preceding fiscal year may still qualify for the exemption. OAG 3/30/88 (No. 87-502, Vol. 71, p. 106).

Note: Also, see *Rideout Hospital Foundation, Inc. v. Yuba County* (1992) 8 Cal.App.4th 214 as to whether a hospital may earn surplus revenue in excess of 10 percent during the immediate fiscal year and still qualify for exemption.