STATE OF CALIFORNIA

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May 11, 1990

No. 90/32

TO COUNTY ASSESSORS:

EXEMPTION CODE SECTIONS AFFECTED BY 1989 LEGISLATION

In 1989, five bills, affecting four Revenue and Taxation Code Sections relating to property tax exemptions, were passed.

Following, chronologically by Revenue and Taxation Code section, is a summary of those changes. In the instance in which two bills changed the same code section, the language of the latest chaptered bill prevails.

Section 201.4

Chapter 539 (Senate Bill 1433) adds Section 201.4 and became effective September 20, 1989 as an urgency statute. This new section states:

> "201.4. (a) The possessory interest of a nonprofit entity, solely owned by the City of Palm Springs, in property which is located wholly within the boundaries of an Indian reservation and owned by the United States in trust for named Indian allottees, and which is leased to the City of Palm Springs under a master lease a portion of which for purposes of financing is subleased to a nonprofit entity, and subleased by that nonprofit entity to the City of Palm Springs which devotes that property exclusively to convention or related public purposes, shall be deemed to be property owned by the City of Palm Springs.
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> (b) Property which is owned in fee by a nonprofit entity in which the City of Palm Springs has the sole ownership interest, and leased by that nonprofit entity to the City of Palm Springs which devotes that property exclusively to convention or related public purposes, shall be deemed to be property owned by the City of Palm Springs.
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> (c) This section shall not be construed to exempt from ad valorem property taxation any possessory interest in otherwise tax-exempt property not devoted exclusively to convention or related public purposes or any property or possessory interest in property of the City of Palm Springs located outside of its boundaries."

Section 2 of the bill provides that the Legislature, in enacting Section 201.4, finds and declares that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution due to the following unique circumstances:

The City of Palm Springs owns and operates public facilities located upon one of three assessor's parcels which are or will be leased from the United States of America as trustee for certain Indian allottees. That master lease serves the function of pooling rental income from all three parcels for distribution to the numerous Indian allottees. The one leased parcel used by the City of Palm Springs exclusively for public purposes is subleased to a nonprofit public benefit corporation, the sole ownership interest of which is held by the city. That nonprofit entity in turn has financed and constructed the public facility and sublet the property to the City of Palm Springs. The subleases require that any ad valorem taxes assessed against the property or possessory interest therein be paid by the sublessee. An adjoining parcel owned in fee by the same nonprofit entity is likewise leased to the City of Palm Springs and used by the city for public purposes. The unique nature of ownership and financing and leasing arrangements do not permit a total exemption from taxation under current law of these parcels even though used exclusively for public purposes.

Section 3 of the bill provides that the provisions of Section 2229 of the Revenue and Taxation Code shall not apply to any exemption made by this act.

Section 4 of the bill expresses the intent of the Legislature in enacting this act that the provisions of Article 5 (commencing with Section 5081) of Chapter 4 of Part 9 of Division 1 of the Revenue and Taxation Code shall apply to the subject property, including any taxable possessory interest in the subject property acquired by the City of Palm Springs or deemed to be owned by the city, and that the date of apportionment of taxes pursuant to Section 5082 of the Revenue and Taxation Code shall be the date upon which the City of Palm Springs acquires the master lease referred to in Sections 1 and 2 of the bill.

This act is an urgency statute in order that the property tax relief intended by this act may be made available as soon as possible.

Section 205.5

Chapter 1077 (Senate Bill 320), effective January 1, 1990, amends Section 205.5 by increasing the amount of the exemption available for a totally disabled veteran, or the unmarried surviving spouse thereof, from $100,000 to up to $150,000 of assessed value if the annual household income, as defined, does not exceed $24,000. This bill also extends the availability of the $100,000 (and thus, the $150,000) exemption to January 1, 1996. (Previously the $100,000 exemption was due to sunset January 1, 1991.)

The disabled veterans' exemption forms have been revised to reflect the new law and were distributed with Assessors' Letter 90/06.

Section 3 of the bill provides that the requirements of Section 2229 relating to any exemption of property for more than five years or for more than 75 percent of the value thereof shall not apply to the exemption made by this act.

Section 214

Chapter 1243 (Assembly Bill 1727) and Chapter 1292 (Senate Bill 350) both amend Section 214. As Chapter 1292 was enacted last, its language prevails and became effective January 1, 1990.

Chapter 1292 amends Section 214 by adding a new subdivision (j) which states:

> "(j) For purposes of this section, charitable purposes include educational purposes. For purposes of this subdivision, educational purposes means those educational purposes and activities for the benefit of the community as a whole or an unascertainable and indefinite portion thereof, and shall not include those educational purposes and activities primarily for the benefit of an organization's shareholders. Educational activities shall include the study of relevant information, the dissemination of that information to interested members of the general public, and the participation of interested members of the general public."

Section 2 of the bill provides that this amendment to Section 214 does not constitute a change in, but is declaratory of, existing law.

Section 214.14

Chapter 912 (Senate Bill 550) adds a new Section 214.14 which became effective January 1, 1990. This new section states:

> "214.14. Property used exclusively for charitable purposes of museums and owned and operated by a religious, hospital, scientific, or charitable fund, foundation, or corporation which meets all the requirements of subdivision (a) of Section 214 shall be deemed to be within the exemption provided by Sections 4 and 5 of Article XIII of the California Constitution and Section 214. For purposes of this section:
>
> (a) Property used exclusively for the charitable purposes of museums shall include property used for activities and facilities related to the primary charitable purposes of museums and reasonably necessary and incidental to those purposes.

(b) Property used exclusively for charitable purposes of museums shall not be required to be indispensable to the primary charitable purposes of museums.

(c) Property used exclusively for charitable purposes of museums shall not include property used for activities and facilities not related to the primary charitable purposes of museums and not reasonably necessary or incidental to those purposes."

Section 3 of the bill provides that the addition of Section 214.14 does not constitute a change in, but is declaratory of, existing law. In addition, Section 4 of the bill provides that nothing in this act shall be construed to imply that the interpretations or applications of the welfare exemption by the Board for prior years were in any way incorrect or invalid.

If you have any questions regarding the preceding, please contact our Exemption Unit at (916) 445-4982.

Sincerely,

Verne Walton

Verne Walton, Chief
Assessment Standards Division

VW:wpc
AL-27-0310G