Property Tax Welfare Exemption

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INTRODUCTION

What is the Welfare Exemption?

The California Legislature has the authority to exempt property (1) used exclusively for religious, hospital, or charitable purposes, and (2) owned or held in trust by nonprofit organizations operating for those purposes. This exemption is known as the ***Welfare Exemption*** and was first adopted by voters as a constitutional amendment on November 7, 1944. When the Legislature enacted section 214 of the Revenue and Taxation Code to implement the Constitutional provision, a fourth purpose—scientific—was added to the three mentioned in the Constitution.

The following information is intended as a guide for organizations that wish to file for a property tax exemption through the Welfare Exemption. The main purpose of this material is to provide basic information on the Welfare Exemption.

This information was prepared by the State Board of Equalization (BOE), which oversees the administration of California's property tax system. If, after reviewing this information, you have questions regarding:

- the eligibility requirements of an organization, or
- how to obtain an *Organizational Clearance Certificate*,

you may contact the BOE, County-Assessed Properties Division, P. O. Box 942879, MIC:64, Sacramento, CA 94279-0064, or telephone 916-274-3430.

If you have questions regarding:

- how to file a claim for the Welfare Exemption, or
- whether a particular use for a property would qualify for the exemption,

please contact the county assessor's office where the property is located.

A listing of county assessors is located on the BOE's website at *www.boe.ca.gov*. You may access the listing of county assessors by entering the term "assessor" in the search field at the top of the BOE homepage and then use the search function. The search results will give you a list of county assessors with links to assessor websites.

BOE Website

Many of the claim forms and documents discussed in this publication are located on the BOE website at *www.boe.ca.gov*. You may access the Welfare Exemption information on the website by entering the term "Welfare & Veterans' Organization Exemptions" in the search field at the top of the BOE homepage then use the search function. The search results will give you a list of links to all the pertinent information on the BOE website.

PROPERTY ELIGIBLE FOR THE WELFARE EXEMPTION

Who can qualify for the Welfare Exemption?

In general, the Welfare Exemption from local property taxes is available for property of organizations:

- Formed and operated exclusively for qualifying purposes (religious, scientific, hospital, or charitable),
- That use their property exclusively for those qualifying purposes, and
- That have a current tax exempt letter from the Internal Revenue Service or the Franchise Tax Board.

The above requirements, along with others, must be met for the exemption to be granted. The nonprofit organization must be a community chest, fund, foundation, corporation, or eligible limited liability company.

ADMINISTRATION OF THE WELFARE EXEMPTION

Who administers the Welfare Exemption?

The Welfare Exemption is unique in that it is co-administered by the county assessors and the BOE. The BOE determines whether the *organization* itself is eligible for the exemption (that is, is the organization organized and operated exclusively for one or more of the qualifying purposes—religious, scientific, hospital, or charitable?). The county assessor determines whether an organization's specific property *qualifies* for the exemption based on the property's use (that is, is the property used exclusively for religious, scientific, hospital, or charitable purposes?).

QUALIFYING PURPOSES

California property tax law has its own requirements that may differ from other state and federal laws. One of these differences affects organizations applying for the Welfare Exemption. California property tax law requires that, in order to qualify for the Welfare Exemption, the organization must be organized *and* operated exclusively for one or more of the following purposes:

- Charitable
- Hospital
- Religious
- Scientific

California law further requires the organization's start-up (formation) documents to contain a statement that the organization's property is irrevocably dedicated to one or more of the above qualifying purposes, and that in the event the organization stops operating, that the assets will be transferred to another fund, foundation, or corporation organized and operated for similar purposes (see Exhibit C, Irrevocable Dedication and Dissolution Clauses).

My organization has a 501(c)(3) tax exemption letter from the IRS. Is the organization automatically exempt from property taxes?

Since tax-exempt status under the Internal Revenue Code includes organizations operated for a wider scope of purpose than what is allowed under California tax laws, not every organization with a 501(c)(3) Internal Revenue Code exemption will qualify for the Welfare Exemption. For example, nonprofit organizations exempt under 501(c)(3) include organizations operated for literary purposes and public purposes. These are examples of organizations that would not qualify for the Welfare Exemption.

Under the Welfare Exemption, an organization's *primary* operating purpose must be religious, hospital, scientific, or charitable. A qualifying organization's property may be exempted fully or partially from property taxes, depending on how much of the property is used for a qualifying purpose and activity.

Charitable Purpose

What is meant by "charitable" purpose?

The term charitable includes all kinds of humanitarian activities for the care of the physical and mental well-being of the recipients. An organization's activities are charitable, and may qualify for the Welfare Exemption, when they benefit the community as a whole or an unspecified portion of the community. The term charitable is not confined to the relief of poverty.

Chambers of commerce or other business leagues, literary societies, scientific societies, college fraternities or sororities, lodges, or mutual benefit societies generally do not qualify for the Welfare Exemption. Such groups, although formed as nonprofit corporations exempt from state and federal income tax, are usually not organized and operated exclusively for charitable purposes, nor are their properties used exclusively for charitable activities.

The courts have broadly defined *charitable* to include some educational purposes and activities. However, not every educational purpose and activity is exempt. Charitable purposes include certain educational purposes and activities subject to the following requirements:

- The educational purposes and activities must benefit the community as a whole or an unspecified portion of the community.
- The educational activities include the study of relevant information and the distribution of that information to the general public.

My organization is a nonprofit trade school. Is it eligible for the Welfare Exemption?

The courts have determined that the following are examples of educational activities that do not qualify for exemption because the activities do not provide a benefit to the community as a whole:

- An accredited junior college with a one-year course for morticians and funeral directors because it benefited only the funeral service industry by providing trained personnel.
- A construction industry vocational training school operated under a trust created by a labor union and construction industry employers because the school gave priority in admission to union members and to persons recommended by the employers, and sought to obtain jobs for graduates exclusively with the employers.

Hospital Purpose

What is meant by "hospital" purpose?

Hospital, as it is used for the Welfare Exemption, has been defined by the California Supreme Court in the following manner:

> A hospital is primarily a service organization. It serves three groups: the patients, its doctors, and the public. It furnishes a place where the patient, whether poor or rich, can be treated under ideal conditions. It makes available room, special diet, X-ray, laboratory, surgery, and a multitude of other services and equipment now available through the advances of medical science. Essential to the administration of these techniques is the corps of highly trained nurses and student nurses who is on duty twenty-four hours per day. In the large hospitals there are the interns and residents whose presences make it possible for the hospital to do a better job. In addition, the hospital . . . must have administration to see that its services function properly and are coordinated, and that patients are received and cared for regardless of the hour or the patient's condition. Nothing can be left to chance because a slip may mean a life or many lives. These facilities also stand ready to serve the community in times of epidemic or disaster.

Property may also be considered exclusively used for hospital purposes if it is owned and operated by a qualifying nonprofit organization and if it is exclusively used to provide support services for the hospital. Some examples of support services to hospitals include purchasing, food services, laundry, collections, or waste disposal.

Religious Purpose

What is meant by "religious" purpose?

The content of a religious belief is not a matter of governmental concern and should not be subject to an inquiry concerning its validity. The courts have defined *religion* as:

- A belief, not necessarily referring to supernatural powers,
- A cult involving a gregarious association openly expressing the belief,
- A system of moral practice directly resulting from adherence to the belief, and
- An organization within the cult designed to observe the tenets of the belief.

Three exemptions—Welfare Exemption, Church Exemption, and Religious Exemption—provide a means of exempting property from taxation for property used for religious purposes.

My organization is a church. Do we need to file for the Welfare Exemption?

Most religious organizations qualify their property for exemption under the *Church Exemption*. The Church Exemption is limited to religious organizations using the property for worship only. *Worship* has been defined by the courts as the formal observance of religious tenets or beliefs. This limits activities eligible for the Church Exemption to traditional ceremonial functions.

Churches that use their properties for religious worship and operating schools of less than collegiate grade may be eligible for a full or partial *Religious Exemption*. The school must be owned and operated by the church. Churches

that lease property to schools that are operated on their properties must file for the Welfare Exemption for those portions of the properties used by the schools. In addition, the school must also file for the Welfare Exemption as the operator of the property.

The Welfare Exemption must be claimed for uses of the property beyond the scope of religious worship and schools, or if the property also is used regularly by a charitable organization.

An advantage of the Church Exemption is that it is the sole exemption available to leased property. The Welfare Exemption covers the greatest number of uses. The Religious Exemption is generally more desirable for church-owned property because of its one-time filing provision. (See also BOE publication 48, *Property Tax Exemptions for Religious Organizations.)*

Scientific Purpose

What is meant by "scientific" purpose?

In addition to complying with the general requirements for the exemption of charitable organizations, a scientific foundation or institution claiming exemption for its real and personal property used for scientific purposes must meet the following requirements to qualify for exemption (if the property is used for medical research, the following two requirements do not apply):

1. The scientific foundation or institution must be chartered by the U.S. Congress; and
2. The objectives of the scientific foundation or institution must be to encourage or conduct scientific investigation, research and discovery for the benefit of the community at large.

Additionally, the exemption for the scientific organization's real property (land, buildings, and fixtures) used for scientific purposes is exempt only if it is also used for religious, hospital, or charitable purposes. The California Constitution gives the power to the Legislature to exempt, in whole or in part, tangible personal property. However, only the Constitution can exempt real property (land, buildings, and fixtures). Since the Constitution only exempts real property used for religious, hospital, or charitable purposes, a scientific organization can only have its real property exempt from property taxation if the real property is also used for a religious, hospital, or charitable purpose.

Personal property used for scientific purposes does not need to qualify under religious, hospital, or charitable purposes. It is sufficient that personal property is used exclusively for scientific purposes.

GENERAL FILING REQUIREMENTS

Claims for the Welfare Exemption must be filed annually with the county assessor in the county in which the organization's property is located or being used. The claim form and any required supplemental affidavits may be obtained from the county assessor's office. The county assessor determines whether the property qualifies for the Welfare Exemption based on "how the property is used." However, the county assessor may not grant the exemption unless the organization already has a valid *Organizational Clearance Certificate* issued by the BOE (see the following section). In the case of some low-income housing property, the organization must also have a *Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption*.[1]

Therefore, an organization seeking exemption for the first time must:

- File a claim for an *Organizational Clearance Certificate* and, where applicable, a *Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption*, with the BOE; and
- File a claim for the Welfare Exemption with the county assessor in the county where the property is located or used. The local assessor's office will provide the forms to file for the Welfare Exemption.

[1] Please note the form title of BOE-277-SCC was changed in 2006 following the effective date of low-income housing rules pertaining to the Welfare Exemption. Thus, SCCs issued prior to September 2006 were titled Supplemental Clearance Certificate for Managing General Partner. These certificates remain valid; BOE is not issuing new certificates to organizations to replace SCC's that were issued prior to September 2006.

ORGANIZATIONAL CLEARANCE CERTIFICATE

General Information

BOE staff reviews claims for organizational clearance certificates to determine if the organization is *organized and operated* exclusively for one or more qualifying purposes, and otherwise meets the requirements of Revenue and Taxation Code section 214.

Where can I get a claim form for an Organizational Clearance Certificate?

To request an *Organizational Clearance Certificate,* an organization must file claim form BOE-277, *Claim for Organizational Clearance Certificate–Welfare Exemption*. The form is available on the BOE website. You may also request a claim form by calling the BOE Exemptions Section at 916-274-3430.

How do I know if my organization is eligible for the Organizational Clearance Certificate?

To qualify for an *Organizational Clearance Certificate:*

1. The claimant must be a nonprofit organization or eligible limited liability company.
2. The organization must have a valid tax exemption letter either from the Internal Revenue Service or Franchise Tax Board, stating that the organization is exempt under their respective provisions of law during the years for which an Organizational Clearance Certificate is sought (Internal Revenue Code section 501(c)(3), Revenue and Taxation Code section 23701d). If the organization is a limited liability company and does not have a valid tax exemption letter, the LLC may meet this requirement if its member(s) hold a valid tax exemption letter.
3. The organization's start-up (formation) documents (for example, the articles of incorporation) must include both an acceptable statement of irrevocable dedication and a dissolution clause. The statement of irrevocable dedication is to expressly state that the property is irrevocably dedicated to religious, charitable, scientific, or hospital purposes. The dissolution clause must state that upon liquidation, dissolution, or abandonment by the owner, the organization's assets will be distributed to a fund, foundation, or corporation exclusively organized and operated for religious, hospital, scientific, or charitable purposes. (See Exhibit C, Irrevocable Dedication and Dissolution Clauses.)
4. The operations of the organization may not directly or indirectly materially enhance the private gain of any individuals.
5. The organization must be exclusively organized and operated for one or more of the qualifying purposes—religious, hospital, scientific, or charitable.

Upon the BOE's determination that an organization qualifies, the BOE will issue an *Organizational Clearance Certificate* (Form BOE-277-OC) that will remain valid until the BOE determines that the organization no longer meets the requirements. The BOE maintains a list of organizations with a valid *Organizational Clearance Certificate*. This list is posted on the BOE website.

Filing Requirements for Claim Form BOE-277

A claim for an *Organizational Clearance Certificate* may be filed at any time during the year. The organization should complete all parts of the form in sufficient detail to allow the BOE staff to make an informed review of the organization's structure and purpose. The organization must indicate the first fiscal year in which the organization is seeking exemption (a fiscal year is from July 1 to June 30). The organization must submit all information requested on the form.

Do I need to submit any documents with the claim for an Organizational Clearance Certificate?

The claim must be accompanied by the following documents:

- Organizational documents: An organization must attach a copy of the Articles of Incorporation certified by the Secretary of State (and any amendments to the original Articles), or comparable documents for unincorporated organizations. BOE staff will review the organization's start-up (formative) documents to verify that the documents include both an acceptable statement of irrevocable dedication and a dissolution clause.
- Tax exemption letter: An organization must include a copy of a valid federal or state tax exemption letter. The tax exemption letter may be either from the Internal Revenue Service or Franchise Tax Board, stating that the organization is exempt under their respective provisions of law during the years for which an Organizational Clearance Certificate is sought (Internal Revenue Code section 501(c)(3), Revenue and Taxation Code section 23701d).
- Financial statements: An organization must include a certified copy of its financial statements (balance sheet and income statement). The financial statements must be for the period immediately preceding the lien date (January 1) for the claim. For example, if the organization is requesting an *Organizational Clearance Certificate* on April 15, 2012, to be used for filing a Welfare Exemption claim for the 2012-2013 fiscal year (July 1, 2012, to June 30, 2013), the financial statements must represent the accounting period ending closest in time to January 1, 2012.
- Description of activities: An organization must provide detailed information about the activities conducted by the organization. Brochures, pamphlets, the organization's website address, and copies of newspaper articles are examples of documents that provide information that aids the BOE staff in determining whether the organization is exclusively organized and operated for one or more of the qualifying purposes for the Welfare Exemption.

If a claim is submitted that is incomplete (claim submitted without organizational documents, tax exemption letter, financial statements, or documents identifying the activities of the organization), the review time of the claim is extended because BOE staff cannot issue a final determination until all documents are received.

SUPPLEMENTAL CLEARANCE CERTIFICATE (LOW-INCOME HOUSING)

General Information

Our nonprofit organization is the managing general partner of a limited partnership that owns and operates low-income housing property. What claim form do we need to file?

In addition to filing a claim for an Organizational Clearance Certificate, nonprofit corporations or eligible limited liability companies functioning as the managing general partner of limited partnerships that own and operate low-income housing, are also required to file a claim for a Supplemental Clearance Certificate (Form BOE-277-L1, *Claim for Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property–Welfare Exemption)*. The form is available on the BOE website. You may also request a claim form by calling the BOE Exemptions Section at 916-274-3430.

Filing Requirements for Claim Form BOE-277-L1

Do we need to submit any documents with the claim for Supplemental Clearance Certificate?

A claim for *Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption* may be filed at any time during the year. The claim form must indicate the first fiscal year (July 1 through June 30) in which the claimant is seeking exemption for the low-income housing property. A claim must be filed for each low-income property owned and operated by a limited partnership (with an eligible managing general partner) for which exemption is claimed.

The claim form requires a nonprofit corporation or eligible limited liability company and all general partners of the limited partnership to certify that its limited partnership agreement provides sufficient management authority and duties to qualify the nonprofit corporation or eligible limited liability company as the managing general partner of the limited partnership. The initial claim for a supplemental clearance certificate must be accompanied by the following documents:

- A copy of a recorded deed restriction or a copy of a regulatory agreement issued by a public agency, that provides verification that the property receives either government financing or federal tax credits, and restricts the property use to low-income housing, as required by section 214(g)(1)(A) and 214(g)(1)(B);
- A copy of the grant deed, or documents evidencing the limited partnership's ownership of the improvements if the land is not owned by the limited partnership; and
- A copy of Secretary of State form LP-1, *Certificate of Limited Partnership,* and if applicable, Secretary of State form LP-2, *Amendment to Certificate of Limited Partnership,* for each amendment.

Upon the BOE's determination that an organization qualifies, the BOE will issue a *Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption* (Form BOE-277-SCC) that will remain valid until the BOE determines that the organization no longer meets the requirements. The BOE maintains a list of organizations with a valid *Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property—Welfare Exemption*. This list is posted on the BOE website and is updated on a quarterly basis.

WELFARE EXEMPTION CLAIMS

General Filing Requirements

The county assessor is responsible for reviewing claims for the Welfare Exemption to determine whether the property of an organization qualifies for exemption based on its use (that is, is the property used exclusively for religious, hospital, scientific, or charitable purposes by an organization that has already received an *Organizational Clearance Certificate* from the BOE?).

Where can we get a claim for a Welfare Exemption?

Welfare exemption claim forms, also known as affidavits, are available from the county assessor of the county where the property is located or being used. Claims may be made on the following forms:

- BOE-267, *Claim for Welfare Exemption (First Filing),* if the claimant is a new filer in a county or is seeking exemption on a new location in the county.
- BOE-267-A, *Claim for Welfare Exemption (Annual Filing),* if the claimant is requesting exemption on an annual basis after initial exemption was granted for that property location.

The organization must complete the exemption claim form and return it to the county assessor on or before February 15 of each year to be eligible for the 100 percent exemption. If February 15 falls on a weekend or holiday, the deadline is extended to 5:00 p.m. on the next business day. A partial exemption may be allowed on a claim that is filed after the February 15 deadline (see following section).[1]

The exemption claim is a public record, and is subject to public review Public Records Act (Government Code section 6250 et. seq.); Revenue and Taxation Code section 408.2).

To qualify for the Welfare Exemption:

- The organization must have recorded its ownership interest in the real property in the recorder's office of the county where the property is located, if the claimant is seeking exemption on real property.
- The property must be used for an eligible activity and not for profit-making purposes.
- The organization must have a valid *Organizational Clearance Certificate* issued by the BOE.

Late-Filing Provisions

What if we file the Welfare Exemption claim form after February 15?

When a claim is not filed on or before February 15:

1. 90 percent of any tax, penalty, or interest may be canceled or refunded if the claim is filed on or before January 1 of the next calendar year.
2. 85 percent of any tax, penalty, or interest may be canceled or refunded if the claim is filed after January 1 of the next calendar year.

For example, if a claim is filed with the county assessor between February 16 of the current calendar year and January 1 of the following calendar year, 90 percent of any tax, penalty, or interest may be canceled or refunded. If a claim is filed with the county assessor after January 1 of the next calendar year, 85 percent of any tax, penalty, or interest may be canceled or refunded. If a claim is not filed timely, the combined tax, penalty, and interest may not exceed $250.

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[1] Please contact the county assessor for filing deadlines to request exemption on property acquired after the lien date.

Supplemental Affidavits

Some property uses require supplemental affidavits. The supplemental affidavits must be submitted, for the following properties, with both the first-time filing claim form and the annual claim forms.

1. **Thrift stores** in conjunction with rehabilitation and associated housing.
   Form BOE-267-R, *Welfare Exemption Supplemental Affidavit, Rehabilitation-Living Quarters*. The "Rehabilitation" section of this supplemental affidavit requests detailed information about the claimant's rehabilitation program and activities, number of persons in the program, length of their employment, hours worked, and salaries. If persons in a rehabilitation program reside on the property, the "Housing-Living Quarters" section of the form must be completed, with the number of persons residing on the property, length of stay, employment, fees paid for room and board, number of staff residing on the premises, and details concerning compensation.
2. **Housing for low-income households** owned and operated by a qualifying nonprofit organization.
   Form BOE-267-L, *Welfare Exemption Supplemental Affidavit, Housing-Lower Income Households*. The eligibility is based on family household income. The supplemental affidavit requires the claimant to certify that:
   - The property use is restricted to low-income housing by a regulatory agreement, recorded deed restriction, or other legal document;
   - The funds that would have been necessary to pay property taxes are used to maintain the affordability of the housing or to reduce the rents for the units occupied by lower income households; and
   - The property receives either state or federal low-income housing tax credits or government financing, or 90 percent or more of the tenants are qualified low-income tenants within the prescribed rent levels.

   The supplemental affidavit also requests specific documentation of qualifying low-income tenants, number of persons in the household, their household incomes, identification of dwelling units used for qualifying tenants, and the total number of qualifying households.
3. **Housing for low or moderate income elderly or handicapped persons.**
   Form BOE-267-H, *Welfare Exemption Supplemental Affidavit, Housing Elderly or Handicapped Families*. The eligibility is based on family household income. The supplemental affidavit requests specific documentation of qualifying elderly or handicapped tenants, number of persons in the household, their household incomes, identification of dwelling units used for qualifying tenants, and the total number of qualifying households.
4. **Housing for low-income households** owned by a limited partnership with a nonprofit corporation or eligible limited liability company as managing general partner.

   Form BOE-267-L1, *Welfare Exemption Supplemental Affidavit, Low-Income Housing Property of Limited Partnership*. The eligibility is based on family household income. The supplemental affidavit requires the claimant to certify that:
   - The property use is restricted to low-income housing by a regulatory agreement or recorded deed restriction;
   - The funds that would have been necessary to pay property taxes are used to maintain the affordability of the housing or to reduce the rents for the units occupied by lower income households;
   - The property receives either state or federal low-income housing tax credits or government financing; and
   - The limited partnership agreement provides the claimant with sufficient management authority and duties in the partnership operations to qualify the property for exemption.

   (A copy of the supplemental clearance certificate must be submitted with this supplemental affidavit when filing for the first time on a specific property.)

Similar to exemption claim forms, the supplemental affidavits must be obtained from the county assessor's office of the county in which the property is located.

EXHIBIT A: FORMS FILED WITH BOE, BOE NOTIFICATION FORMS, AND CERTIFICATES ISSUED

A sample of each of the forms listed below is available on the BOE website.

Claim Forms Filed by Organizations

The following is a listing of claim forms for use by organizations filing with the BOE. Claim form BOE-277, BOE-277-LLC, and BOE-277-L1 may be printed from the BOE website. (*www.boe.ca.gov*)

- BOE-277, ***Claim for Organizational Clearance Certificate – Welfare Exemption***
  Claim form filed by a nonprofit organization to request an Organizational Clearance Certificate, which is needed before the assessor can grant a welfare exemption.
- BOE-277-LLC, ***Claim for Organizational Clearance Certificate – Welfare Exemption – Limited Liability Company***
  Claim form filed by limited liability company to request an Organizational Clearance Certificate, which is required for assessor to grant the welfare exemption.
- BOE-277-L1, ***Claim for Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property – Welfare Exemption.***
  This supplemental claim form must be filed for each low-income housing property owned and operated by a limited partnership (with an eligible managing general partner) for which the exemption is claimed.
- BOE-278-OCC, ***Verification for Continued Eligibility of Organizational Clearance Certificate – Welfare or Veterans' Organization Exemption***
  Claim form filed by nonprofit organizations to provide updated information to ensure that the organization continues to meet the qualifications for exemption. (Only organizations that have previously met the organizational requirements of section 214 and hold a valid Organizational Clearance Certificate must file this form upon request by the BOE.)
- BOE-278-SCC, ***Verification for Continued Eligibility of Supplemental Clearance Certificate***
  Claim form filed by organizations to provide updated information to ensure that the organization continues to meet the qualification for exemption. (Only organizations that have previously met the organizational requirements of section 214(g), and Property Tax Rules 140, 140.1, and 140.2 and hold a valid Supplemental Clearance Certificate must file this form upon request by the BOE.)

Notification Forms Issued by the BOE

The following is a listing of forms used by the BOE to notify organizations of findings:

Forms applicable to all organizations

- **BOE-277-F, *Welfare or Veterans' Organization Exemption Organizational Clearance Certificate Finding Sheet***
  BOE form to notify an organization of findings after review of organizational information.
- **BOE-277-F1, *Welfare or Veterans' Organization Exemption Organizational Clearance Certificate – Preliminary Notice***
  BOE form to notify an organization as to specific findings of ineligibility and what action the organization may do in response to those findings.
- **BOE-277-F2, *Welfare or Veterans' Organization Exemption Organizational Clearance Certificate – Final Notice***
  BOE form to notify an organization as to findings resulting from BOE staff's review of additional information submitted by an organization in response to Preliminary Notice (BOE-277-F1), also provides information in regard to appeal rights.

Forms applicable to low-income housing property involving limited partnerships

- **BOE-277-SF**, ***Supplemental Clearance Certificate Finding Sheet for Limited Partnership Low-Income Housing Property Welfare Exemption***
  BOE form used to notify a limited partnership of findings after review of organizational information specific to a low-income housing property.
- **BOE-277-SF-1**, ***Supplemental Clearance Certificate – Preliminary Notice for Limited Partnership Low-Income Housing Property Welfare Exemption***
  BOE form used to notify a limited partnership as to specific findings of ineligibility and what action the organization may do in response to findings specific to a low-income housing property.
- **BOE-277-SF-2**, ***Supplemental Clearance Certificate – Final Notice for Limited Partnership Low-Income Housing Property Welfare Exemption***
  BOE form used to notify a limited partnership as to the finding's resulting from BOE staff's review of additional information received by organization in response to Preliminary Notice (BOE-277-SF-1), also provides information in regard to appeal rights.

Certificates Issued

- **BOE-277-OC**, ***Organizational Clearance Certificate for Welfare or Veterans' Organization Exemption***
  Certificate issued to a nonprofit organization or limited liability company by the BOE if BOE staff determines that organizational requirements of section 214 are met.
- **BOE-277-SCC**, ***Supplemental Clearance Certificate for Limited Partnership, Low-Income Housing Property – Welfare Exemption***
  Certificate issued to a limited partnership by the BOE for low-income housing property owned and operated by the limited partnership, with an eligible managing general partner, if BOE staff determines that organizational requirements of section 214(g) and Rules 140, 140.1 and 140.2 are met for a specific low-income housing property.

EXHIBIT B: FORMS FILED WITH COUNTY ASSESSOR AND ASSESSOR NOTIFICATION FORM

Claim Forms Filed by Organizations

The following is a listing of claim forms for use by organizations filing with the county assessor:

- **BOE-267, *Claim for Welfare Exemption (First Filing)***
  Claim form for initial request for Welfare Exemption for a specific property when the claimant is a new filer in a county or when seeking exemption on a new location in the county.
- **BOE-267-A, *Claim for Welfare Exemption (Annual Filing)***
  Claim form filed to request exemption on an annual basis after initial "been met" finding. May be filed on properties that were granted exemption in the prior year.
- **BOE-267-FIR, *Welfare Exemption Assessor's Field Inspection Report***
  Form completed by county assessor's staff to document the claimant's property use observed during the field inspection.
- **BOE-267-H, *Welfare Exemption Supplemental Affidavit, Housing – Elderly or Handicapped Families***
  Supplemental affidavit filed annually to certify eligibility for welfare exemption for housing used for elderly or handicapped families under Revenue and Taxation Code section 214(f), documents qualifying households within income limits and residential units eligible for exemption.
- **BOE-267-L, *Welfare Exemption Supplemental Affidavit, Housing – Lower-Income Households***
  Supplemental affidavit filed annually by nonprofit organization to certify exemption eligibility for property used for low-income housing under Revenue and Taxation Code section 214(g), documents qualifying households within income limits and residential units eligible for exemption.
- **BOE-267-L1, *Welfare Exemption Supplemental Affidavit, Low-Income Housing Property of Limited Partnership***
  Supplemental affidavit filed annually by limited partnership to certify eligibility for welfare exemption for low-income housing owned and operated by a limited partnership with an eligible managing general partner.
- **BOE-267-R, *Welfare Exemption Supplemental Affidavit, Rehabilitation – Living Quarters***
  Supplemental affidavit filed annually to certify that the property is used for the claimant's rehabilitation program for employees and/or to provide associated living quarters.

Notification Form Issued by County Assessors

The following is a form used by the county assessor to notify the claimant of findings concerning eligibility for exemption:

- **BOE-267-F, *Welfare or Veterans' Organization Exemption, Assessor's Finding on Qualification of Property Use***
  County assessors' form to notify claimant of findings after review of property use only if the property or portion of the property is ineligible for exemption.

These forms are available at the county assessor's office where the property is located or used.

EXHIBIT C: IRREVOCABLE DEDICATION AND DISSOLUTION CLAUSES

To be eligible for the welfare exemption, Revenue and Taxation Code section 214(a)(6) requires both that (1) property is irrevocably dedicated to religious, hospital, scientific, or charitable purposes, and (2) upon liquidation, dissolution or abandonment by the owner, property will not inure to the benefit of any private person except a nonprofit fund, foundation, or corporation organized and operated for religious, hospital, scientific, or charitable purposes. The organization's organizational document[2] must contain such statements in order to qualify for the welfare exemption. Section 214(j) provides that charitable purposes can include some educational purposes. (See discussion in Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions* and Property Tax Rule 143, *Requirements for Irrevocable Dedication Clause and Dissolution Clause for Organizational Clearance Certificate for Welfare Exemption*, for discussion of such purposes.)

Irrevocable Dedication Clause

Property is deemed to be irrevocably dedicated exclusively to one or more qualifying purposes provided that a qualifying organization's organizational document contains a statement that irrevocably dedicates its property exclusively to one or more qualifying purposes of section 214 (qualifying purposes being religious, hospital, scientific, or charitable).

The following examples illustrate acceptable irrevocable dedication clauses:

Example 1.

> The property owned by this organization is irrevocably dedicated to charitable purposes.

Example 2.

> The property owned by this corporation is irrevocably dedicated to charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

Example 3.

> The property owned by this organization is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or the benefit of any private person.

Example 4.

> The property of this organization is irrevocably dedicated to religious purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or the benefit of any private person.

Dissolution Clause

The dissolution clause must specifically state that the organization's property will be distributed to another qualifying organization upon its liquidation, dissolution, or abandonment. The dissolution clause must specify that the qualifying organization is organized and operated for one or more qualifying purposes of Revenue and Taxation Code section 214 (qualifying purposes being religious, hospital, scientific, or charitable). Distribution to a government entity is acceptable because it is not a private person.

[2] "Organizational document" means the articles of incorporation of a corporation, or the articles of organization of a limited liability company, or the bylaws, articles of association, constitution or regulations of a community chest, fund, or foundation, or corporation charted by an act of Congress. Please note that the copies of articles of incorporation and amendments must bear the endorsement of the California Secretary of State as proof of certification, or if the corporation is incorporated outside of California, certification by the appropriate state officer.

The following examples illustrate acceptable dissolution clauses:

Example 1.

> Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code.

Example 2.

> Upon the dissolution or winding up of the organization, its assets remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a nonprofit organization which is organized and operated exclusively for charitable purposes.

Example 3.

> Upon the liquidation, dissolution or abandonment of this organization, its assets remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a nonprofit organization organized and operated for religious purposes.

Example 4.

> Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to an organization organized and operated for charitable and hospital purposes meeting the requirements of Revenue and Taxation Code section 214.

Use of Educational in Irrevocable Dedication and Dissolution Clauses

Revenue and Taxation Code section 214(j) provides that for purposes of the welfare exemption charitable purposes include educational purposes and "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 do not include those educational purposes and activities that are primarily for the benefit of the organization's shareholders. Section 214(j) further provides that educational activities include the study of relevant information, the dissemination of that information to the interested members of the general public, and the participation of interested members of the general public.

Given the provision of section 214(j), it is acceptable to include educational purposes in a statement of irrevocable dedication or dissolution in an organization's organizational document so long as such purposes are charitable. If educational purposes are used it should either be used in conjunction with charitable purposes and specify that it meets the requirements of section 214, or specify that it meets the requirements of section 214(j). Also, the statement may include other qualifying purposes of section 214.

> **Acceptable Dedication Example:** *The property owned by this organization is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.*
>
> **Acceptable Dissolution Example:** *Upon the liquidation, dissolution, or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a nonprofit corporation organized and operated exclusively for charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.*

FOR MORE INFORMATION

Publications and Forms

The BOE publishes a variety of publications that may be of assistance to you, including:

29 *California Property Tax; An Overview*
48 *Property Tax Exemptions for Religious Organizations*
51 *Board of Equalization Resource Guide to Free Tax Products and Services* (includes a full publications list)
70 *Understanding Your Rights as a California Taxpayer*

All of these publications are available on the Internet at *www.boe.ca.gov.*

In addition to copies of selected publications, the BOE website also includes order forms for publications, Board meeting dates, county assessors' information, and other information about the BOE and the programs it administers.

Property Tax Rules

Property tax rules are adopted by the BOE to allow us to interpret and apply Revenue and Taxation Code statutes that have been implemented by the Legislature. Each of these rules are available on our website at *www.boe.ca.gov.* Just type "Rule XXX" (insert the rule number you are looking for) in the search field, and it will lead you to the appropriate link. Here are the rules that apply to the welfare exemption:

136 *Limited Liability Companies as Qualifying Organizations for the Welfare Exemption.*
Rule 136 specifies the requirements that a limited liability company must meet to qualify for the welfare exemption.

137 *Application of the Welfare Exemption to Property Used for Housing.*
Rule 137 clarifies that the welfare exemption from property taxation applies to housing and related facilities owned and operated by qualified nonprofit organizations.

140 *Welfare Exemption Requirements for Low-Income Housing Properties.*
Rule 140 defines and makes specific the terms "regulatory agreement," "recorded deed restriction," "low-income tax housing credits," "government financing," " lower income households," and "other legal document."

140.1 *Requirements for Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties.*
Rule 140.1 defines the term "managing general partner" of a limited partnership, and specifies the requirements the managing general partner must meet in order for the low-income housing property, owned and operated by the limited partnership, to qualify for the welfare exemption.

140.2 *Requirements for Supplemental Clearance Certificate for Limited Partnership for Welfare Exemption for Low-Income Housing Properties.*
Rule 140.2 clarifies how it is determined that the limited partnership, in which the managing general partner is a qualifying nonprofit organization or eligible limited liability company, meets all the requirements of Revenue and Taxation Code section 214, subdivision (g), by requiring a supplemental clearance certificate, and sets forth the requirements for that certificate.

143 *Requirements for Irrevocable Dedication Clause and Dissolution Clause for Organizational Clearance Certificate for Welfare Exemption.*
Rule 143 clarifies the irrevocable dedication clause and dissolution clause required to be in the organizational documents in order to qualify for the welfare exemption under Revenue and Taxation Code section 214.

Other Useful Information on the BOE Website

Assessors' Handbook Section 267, Welfare, Church, and Religious Exemptions

Part I of this handbook section contains information relative to the administration and legal requirements of the welfare exemption. In addition, the handbook discusses the statutes, numerous judicial decisions, related legislation, and a number of requirements that must be met before property is eligible for exemption.

Part II of this handbook section contains information relative to the administration and legal requirements of the church, church parking areas, and religious exemptions.

Property Taxes Law Guide

This law guide contains those portions of the Revenue and Taxation Code relating to property taxes along with the Property Tax Rules developed by the BOE. Section 214 is the primary Welfare Exemption statute.

Annotations

These annotations (explanatory notes) are from BOE letters to county assessors, attorney general opinions, and staff correspondence.

List of County Assessors

This list contains all 58 California county assessors along with the office telephone number, address, and a link to the assessors' websites.

Welfare and Veterans' Exemptions

Additional information on the Welfare Exemption may be found on the BOE website at *www.boe.ca.gov* including organizational and use requirements, claim forms, a list of eligible organizations, and frequently asked questions. Just type "Welfare & Veterans' Organization Exemptions" in the search field at the top of the BOE homepage and then use the search function.

How do I get assistance?

Main Exemption Telephone Line–916-274-3430.

Your Taxpayers' Rights Advocate

The BOE wants to make the property tax system as equitable as possible. Consequently, we have appointed a Taxpayers' Rights Advocate to help you with issues you cannot resolve at other levels. You can contact the Advocate at the following:

Taxpayers' Rights Advocate Office
State Board of Equalization
450 N Street, MIC:70
PO Box 942879
Sacramento, CA 94279-0070

Telephone: 916-324-2798
Toll Free: 888-324-2798
Fax: 916-323-3319

STATE BOARD OF EQUALIZATION • 450 N STREET • SACRAMENTO, CALIFORNIA
MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001