



**STATE BOARD OF EQUALIZATION**

1000 N STREET, SACRAMENTO, CALIFORNIA  
P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808  
(916) 445-4982

GEORGE R. REILLY  
First District, San Francisco  
IRIS SANKEY  
Second District, San Diego  
WILLIAM M. BENNETT  
Third District, San Rafael  
RICHARD NEVINS  
Fourth District, Pasadena  
KENNETH CORY  
Controller, Sacramento  
DOUGLAS D. BELL  
Executive Secretary  
No. 79/44

March 1, 1979

TO COUNTY ASSESSORS:

UNIVERSAL LIFE CHURCH -  
IRREVOCABLE DEDICATION LETTERS

Enclosed are several letters to claimants that we have been using in the administration of exemptions. They are:

- (1) Irrevocable dedication - This letter is either addressed, dated, and sent to a proposed claimant or merely enclosed with our finding sheet concerning the denial of a welfare exemption because the articles of incorporation lack an acceptable irrevocable dedication clause.
- (2) Universal Life Church - This letter is sent to those persons who write to us usually following a news release or as the result of an article in the organization's newspaper that a portion of their home (usually a bedroom) will be exempt.

During the recent exemption conferences held in Riverside and Woodland, we found that the assessors' staff members were not aware of these letters.

In order to maintain statewide uniformity, we suggest that assessors make a diligent investigation of the facts and use of the property prior to allowing a church exemption on a portion of a residence or other buildings located on a parcel of residential property owned by an individual.

If you have, in fact, allowed such an exemption, we would appreciate receiving a letter containing the facts and the portion of exemption allowed. We have found that some printed articles are misleading, and we know of no such exemption that has actually been allowed.

If you have questions, please contact Mr. Bill Grommet, Exemption Officer, whose phone number is included on this letter.

Sincerely,

A handwritten signature in cursive script that reads "Verne Walton".

Verne Walton, Chief  
Assessment Standards Division

VW:pb  
Enclosures



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Dear Sir:

Section 214 of the Revenue and Taxation Code provides, in part, that property used exclusively for religious, hospital, scientific, or charitable purposes owned and operated by community chests, funds, foundations, or corporations organized and operated for religious, hospital, scientific, or charitable purposes is exempt from taxation if:

"(6) The property is irrevocably dedicated to religious, charitable, scientific, or hospital purposes and upon the liquidation, dissolution or abandonment of the owner will not inure to the benefit of any private person except a fund, foundation, or corporation organized and operated for religious, hospital, scientific, or charitable purposes."

As to when property is "irrevocably dedicated" to such a purpose or purposes, Section 214.01 provides that for the purpose of Section 214, property shall be deemed irrevocably dedicated to religious, charitable, scientific or hospital purposes only if a statement of irrevocable dedication to only these purposes is found in the articles of incorporation of the corporation, or in the case of any other fund or foundation, in the bylaws, articles of association, constitution, or regulations thereof. Thus, if an organization is formed for religious and/or hospital and/or scientific and/or charitable purposes and the purpose or purposes is found in the organization's statement of irrevocable dedication, the statement will meet the requirements of Sections 214(6) and 214.01.

In addition, some educational organizations, for example, schools of less than collegiate grade, may be entitled to the welfare exemption as educational organizations which are charitable. Thus, if "educational" purposes as well as charitable purposes are indicated in the statement of irrevocable dedication, a limitation must be added thereto so that the statement will meet the requirements of Section 214(6) and 214.01:

"...charitable and educational purposes meeting the requirements for exemption provided by Section 214 of the Revenue and Taxation Code."

As you will note, Section 214(6) also requires that upon the dissolution of the owner, the property will not inure to the benefit of any private person except a fund, foundation, or corporation organized and operated for religious, hospital, scientific, or charitable purposes. Thus, if, upon dissolution, a corporation's property is to be distributed to an organization organized and operated exclusively for religious and/or hospital and/or scientific and/or charitable purposes, the dissolution clause will meet the requirements of Section 214(6). But similarly, if the property is to be distributed to an organization organized and operated in whole or in part for charitable and educational purposes, a limitation of the type

previously referred to must be added thereto so that the dissolution clause will meet these requirements.

The following sample articles of incorporation would meet the requirements of Sections 214(6) and 214.01:

"The property of this corporation is irrevocably dedicated to (insert (i) or (ii) or other specific purpose or purposes, as applicable)

- (i) religious or charitable purposes (or)
- (ii) charitable and educational purposes meeting the requirements for exemption provided by Section 214 of the Revenue and Taxation Code\*

and no part of the net income or assets of this organization shall inure to the benefit of any private persons. 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 (insert (i) or (ii) or other specific purpose or purposes, as applicable)

- (i) religious or charitable purposes (or)
- (ii) charitable and educational purposes meeting the requirements for exemption provided by Section 214 of the Revenue and Taxation Code\*

and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

"If this corporation holds any assets in trust, or the corporation is formed for charitable purposes, such assets shall be disposed of in such manner as may be directed by decree of the superior court of the county in which the corporation has its principal office, upon petition therefor by the Attorney General or by any person concerned in the liquidation, in a proceeding to which the Attorney General is a party."

If you are filing for the current fiscal year only and, in the case of an incorporated organization, your articles are amended and a copy of the amendment certified by the Secretary of State is filed with this office before March 1 next year, that portion of your property eligible for exemption will be 100 percent exempt. In the case of any noncorporate fund or foundation, if the bylaws, articles of association, constitution, or regulations are amended and a copy of the amendment (certification by the Secretary of State not required) is filed with this office by March 1 next year, that portion of your property eligible for exemption will be 100 percent exempt. If we do not receive a copy of the appropriate amendment by next March 1, but the copy is received subsequent to March 1, and within the statute of limitations, that portion of your property eligible for exemption will only be 85 percent exempt under the provisions of Section 271 (b) of the Revenue and Taxation Code.

Sincerely,



Verne Walton, Chief  
Assessment Standards Division

VW:cr

\*As indicated, "educational purposes" must be followed by "meeting the requirements for exemption provided by Section 214 of the Revenue and Taxation Code."



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Here is your copy of Assessors' Handbook Section 262, Church Exemption, and pertinent sections of the Revenue and Taxation Code including Section 214 of the Revenue and Taxation Code.

Your request was evidently initiated because of a two-page article that appeared in the Universal Life, Winter 1978, publication, at pages 10 and 11. As indicated herein, we do not agree with the interpretations expressed in the article, and particularly those expressed in the third and fourth paragraphs on page 11.

Since most residences are not used or intended to be used solely and exclusively for religious worship, they are not eligible for the church exemption. Local building codes and zoning ordinances generally do not permit a church in residential property. A church ordinarily demonstrates by means of a sign that indicates the name and/or denomination that it is a church and it is open to the public. We believe that if there is no outward manifestation that a church exists on the property that the assessor should properly deny the church exemption.

Administratively, the Board has taken the position that housing owned by a church and occupied by members of the church is not exempt when the members otherwise live conventional nonreligious lives, e.g., are full-time students elsewhere, hold outside employment, or are retired. The reasoning is that a pastor is more reasonably necessary to the achievement of the religious purposes of a church than are those parishioners who make their residences at or near the church; yet the pastor's residence, even though located on church property, is not exempt under either the church exemption or the welfare exemption. If the pastor's residence is not exempt, the parishioners' residences should not be exempt.

If, however, the pastor or other religious leader and followers of a religion seek to follow in a contemplative manner, and, in order to do so, live in a cloistered monastic setting, i.e., live withdrawn from the world for extended periods of time in a full-time commitment of their lives to the confines of where they live and to religious practices

therein, then the whole of the property may be exempted under the welfare exemption. In this instance, the residential facilities are reasonably necessary to the achievement of the particular type of religious activity. A similar rationale applies to a retreat where it can be shown that retreatants regularly visit the property. However, the religious persons who attend to the retreatants must not hold jobs elsewhere, but must be constantly available.

The writer of the article is also incorrect where he states the welfare exemptions are granted directly by the state. The Assessment Standards Division of the State Board of Equalization does review each welfare exemption claim after receiving it from the local assessor and then makes its finding known to both the claimant and the county assessor as provided in Section 254.5, Revenue and Taxation Code. The assessor may deny the claim of an applicant the Board finds eligible but may not grant the claim of an applicant the Board finds ineligible.

If you have questions after reading the attached material and discussing the exemption with the assessor, you may call me in Sacramento at (916) 445-4982.

Sincerely,

*William L Grommet*

William L. Grommet  
Exemption Officer

WLG:ce  
Enclosures