



STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA
(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

(916) 445-4982

May 18, 1988

TO COUNTY ASSESSORS:

WILLIAM M BENNETT
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Controller, Sacramento

CINDY RAMBO
Executive Director

No. 88/37

WELFARE EXEMPTION - YMCA HEALTH/FITNESS CENTERS

During the last several months we have received numerous letters, news articles, and other inquiries regarding the exempt status of certain YMCA Health/Fitness Centers. Board management and exemption staff have met with representatives of both the commercial health/fitness industry and the YMCA and have toured facilities operated by both.

Industry representatives have stated that in their opinion certain YMCA health/fitness centers being developed in urban business areas are intended to serve health-conscious business persons who wish to "work-out" before or after work or at lunch time. Industry feels these centers are generally inaccessible, both geographically and economically, to the disadvantaged.

Industry representatives were emphatic in pointing out they are not opposing all YMCA facilities but only those YMCA health/fitness centers that are directly competing with commercial clubs and do not appear to be serving the community at large. Industry contends that the difference in membership fees between industry and YMCA centers is directly related to the Y's exempt status.

The courts have defined "charitable" as the bestowing of a gift to the organization (donations) and the bestowing of a gift from the organization to an indefinite segment of the community at large. Therefore, in order for a facility to receive an exemption, benefits must extend beyond those paying a fee or dues for services rendered. In this regard, Board staff inspected a new YMCA facility and obtained specific data concerning its operation. Staff findings are as follows:

- (1) There are "basic" and "full privilege" memberships. Generally, basic memberships include use of only some of the equipment with additional fees being charged for certain items. Full privilege memberships include use of the entire facility. Additional fees are charged for some classes and the charges vary depending on the type of membership. The organization receives donations which are used to provide memberships (known as "scholarships") for those unable to afford them. No one is denied a membership merely because of inability to pay the cost. Scholarships represented 12 to 14 percent of the total memberships available.

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- (2) Membership enrollment is carried out by the Member Services Department, which consists of well-trained volunteers and hourly or salaried staff. There are no commissions or incentive programs for membership enrollment employees.
- (3) There is no charge for a nonprofit agency to use the facility. Alcoholics Anonymous, Easter Seals, Youth Center and the American Heart Association are among those scheduled or proposed to use the facility.
- (4) Senior, youth, handicapped and disadvantaged programs and activities are available. Fees may vary based on type of membership and/or ability to pay.

It is the staff's view that facilities operated as above would meet the court's definition of "charitable" and, thus, would be eligible for the welfare exemption, assuming the organizational requirements (irrevocable dedication, tax letters, etc.) have been met.

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

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:sk