

Name: \_\_\_\_\_  
County: \_\_\_\_\_

**WELFARE, CHURCH, AND RELIGIOUS EXEMPTIONS  
SELF-STUDY TRAINING SESSION**

**REVIEW QUESTIONS**

1. The Welfare Exemption was first adopted by voters as a constitutional amendment on what date?

\_\_\_\_\_

2. Under section 4(b) of article XIII of the California Constitution, the Legislature has the authority to exempt property used exclusively for what purposes and owned or held in trust by nonprofit organizations operating for those purposes?

- Charitable, hospital, and religious  
 Charitable, hospital, religious, and scientific  
 Charitable and religious

3. When the Legislature enacted section 214 of the Revenue and Taxation Code to implement the Constitutional provisions for the Welfare Exemption, what purpose was added to those mentioned in the Constitution?

- Charitable  
 Public  
 Hospital  
 Scientific

4. Under the Welfare Exemption, the term *charitable* is confined to the relief of poverty.

- True  
 False

5. The courts have broadly construed charitable to include some educational purposes and activities. Examples of qualifying educational activities include [Mark all that apply]:

- A junior college with a one-year course for funeral directors to provide trained personnel for the funeral industry.  
 Theatre activities (light opera, musicals, and plays)  
 Professional presentation of operas, symphonies, concerts, ballets, musical productions, drama, and comedy.  
 All of the above.

6. Charitable purposes include certain educational purposes and activities, subject to the following requirements [Mark all that apply]:
- The educational purposes and activities must benefit the community as a whole or an unascertainable and indefinite portion thereof.
  - Educational purposes and activities are primarily for the benefit of the organization's shareholders.
  - The educational activities 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.
  - All of the above.
7. Under the community benefit test, an organization's activities are charitable when they benefit the community as a whole or an unascertainable and indefinite portion thereof.
- True
  - False
8. Absent donations, an organization's receipt of a government subsidy or funding could indicate charity if the funds are used to provide some kind of benefit to the community as a whole or an unascertainable and indefinite portion thereof.
- True
  - False
9. The following nonprofit groups generally do not qualify for the Welfare Exemption under the charitable purpose aspect of section 214 [Mark all that apply].
- Chambers of commerce and literary societies
  - Business leagues and scientific societies
  - Lodges and mutual benefit societies
  - All of the above.
10. Outpatient clinics referred to in section 214.9 are considered within the scope of the hospital purpose of section 214.
- True
  - False

11. The terms *religious* or *religion* have been broadly defined by the courts to encompass all forms of belief, irrespective of whether it involves a belief in a Supreme Being. Religion simply includes:
- 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.
  - An organization within the cult designed to observe the tenets of the belief.
  - All of the above.
12. The content of a religious belief is a matter of governmental concern and should be subject to an inquiry concerning its validity.
- True
  - False
13. An assessor must, of necessity, determine whether the claimant holds a religious belief honestly and in good faith, or whether he or she seeks religious immunity merely for purposes of tax avoidance.
- True
  - False
14. Real property used for scientific purposes is exempt only if it is also used for religious, hospital, or charitable purposes.
- True
  - False
15. Under the scientific purpose of the Welfare Exemption personal property of a scientific organization does not need to qualify under religious, hospital, or charitable purposes.
- True
  - False
16. Property owned by the United States is exempt from property taxation. Property owned by federal instrumentalities is similarly exempt from property taxation unless Congress has consented to such taxation. Provide an example of a federal instrumentality.
-

17. The first step in determining Welfare Exemption eligibility is to determine if the organization itself qualifies. An organization must meet what requirements [Mark all that apply]?

- It must be organized and operated for exempt purposes.
- It must be organized or operated for profit.
- The owner organization must have an IRC section 501(c)(3) or Revenue and Taxation Code section 23701f or 23701w letter.
- The user organization may also qualify with an IRC section 501(c)(4) or Revenue and Taxation Code section 23701f or 23701w letter.
- The organization's earnings must not benefit any private shareholder or individual.
- The articles of incorporation must contain an acceptable statement of irrevocable dedication of the property to exempt purposes.
- The articles must contain an acceptable dissolution clause
- The property owner must be the owner of record on the lien date.
- All of the above.

18. If property is owned by one exempt organization and operated by another exempt organization, each must qualify and file a claim for exemption?

- True
- False

19. Which of the following statements is (are) correct [Mark all that apply]?

- If the operator is not an exempt organization, the portion of the owner's property used by the operator is not eligible for the exemption.
- Property leased from an owner which is not an exempt organization cannot qualify under the Welfare Exemption, but may qualify for another exemption which depends solely upon use of the property, for example, free libraries, museums, public schools, churches, and colleges.
- If the owner of the real property is not an exempt organization, the operator may still receive the exemption as to personal property and improvements it owns if the operator and the property meet the requirements of section 214.
- All of the above.

20. A 35-year lease is equivalent in value to fee ownership for change in ownership reassessment purposes. Therefore, it is a fee ownership for purposes of satisfying the ownership requirement of the Welfare Exemption.

- True
- False

21. Under the recordation requirement of the Welfare Exemption, the claimant may be the vendee of the property under a conditional contract of sale, with the vendor having retained title for security purposes only.

True

False

22. Which of the following statement(s) is consistent with the restriction in both article XIII, section 4(b) of the California Constitution, and section 214(a)(2) of the Revenue and Taxation Code that no part of the net earnings of the owner may inure to the benefit of any private shareholder or individual [Mark all that apply].

Net earnings might inure to the benefit of a private person where the payment of the salary of an officer or employee and/or the income from any securities is contingent upon the amount of net earnings.

It is not required that expenses, including salaries, of the owner or operator bear a reasonable relationship to the usual cost of the goods or services acquired.

The owner and operator may give special privilege, either directly or indirectly, to its members or private individuals.

All of the above.

23. Under the Welfare Exemption, an organization's formative documents must contain [Mark all that apply]:

A statement of irrevocable dedication of its real and personal property to the specified purposes.

A dissolution clause stating that upon dissolution of the organization, its property is to be distributed to an organization organized and operated exclusively for religious, charitable, scientific, or hospital purposes within the meaning of section 214.

A statement that the organization has a current tax-exempt letter from the Internal Revenue Service or the Franchise Tax Board.

All of the above.

24. An organization's sale of any particular portion of a property to a third party for nonexempt uses is not relevant to requirements of section 214(a)(6), provided that the proceeds of such sale are irrevocably dedicated to exempt purposes.

True

False

25. There is an exception to the dissolution clause requirement of the Welfare Exemption if the property is irrevocably dedicated to religious, charitable, scientific, or hospital purposes and it is used solely for charitable or hospital purposes for a minimum period of 30 years.
- True
- False
26. Under the *Cedars* test, a snack bar, gift shop, and beauty shop located on property used as a retreat which served the convenience of persons assembled for religious purposes and which were not open to the public were not considered incidental to the religious purpose of the organization.
- True
- False
27. Applying the *Cedars* test, which of the following did the courts determine were exempt uses of property [Mark all that apply]?
- Property used for facilities for training nurses, housing of doctors, student nurses, and other essential employees; tennis courts used primarily by hospital staff.
- Portions of YMCA property devoted to a restaurant, a barbershop, a valet shop, and a gym store, all of which were open to the public as well as to YMCA members.
- A bar maintained within a theater and open only to persons admitted to performances.
- All of the above.
28. In *Peninsula Covenant Church v. County of San Mateo*, the court followed the "exclusive use" precedent, holding that "the clear meaning of section 214 is that at the very least the exempt purpose must be \_\_\_\_\_ made of the property."
29. What section of the Revenue and Taxation Code exempts vacant land owned by qualified nonprofit organizations that build housing for sale to low-income residents?
- Section 214.2
- Section 214.51
- Section 214.1
- Section 214.15
30. The Welfare Exemption applies to vacant, unused property held for a future qualifying use.
- True
- False

31. Property used exclusively for religious, hospital, or charitable purposes includes facilities in the course of construction, together with the land on which the facilities are located, as may be required for their convenient use and occupation. Facilities in the course of construction [Mark all that apply]:
- Include demolition or razing of a building with the intent to replace the building with a facility to be used exclusively for religious, hospital or charitable purposes.
  - Must have activity connected with the construction or rehabilitation of a new or existing building or improvement that results in physical changes visible to any person inspecting the site where the building or improvement is located.
  - Include construction or rehabilitation, having been commenced and not yet finished, even if abandoned.
  - All of the above.
32. All property owned by a qualifying organization is eligible for the Welfare Exemption.
- True
  - False
33. A qualifying organization permitting another organization to use its property can retain its exemption only if the user also files and qualifies for the Welfare Exemption, even if the user organization only conducts, for example, meetings once a week.
- True
  - False
34. Property used for fraternal, lodge, or social club purposes is specifically declared to be taxable except where such use is clearly incidental to a primary religious, hospital, scientific, or charitable purpose.
- True
  - False
35. Hospital gift shops and hospital thrift shops operated in nonprofit hospitals are regarded as within the scope of the exemption because such shops are incidental to and reasonably necessary to a complete, modern hospital.
- True
  - False

36. Certain types of property are specifically identified in the statutes as qualifying for the Welfare Exemption. Which of the following could qualify for exemption [Mark all that apply]?

- Property in its natural state
- Schools of less than collegiate grade
- Property used for a park and leased for 35 years or more
- Nursery school purposes
- Polling places
- Volunteer fire departments
- Noncommercial educational FM broadcast or television stations
- Property owned by a college but used by a qualifying exempt organization
- Emergency or temporary shelter
- Property leased to a government entity
- Museums and public libraries
- Property within redevelopment areas
- All of the above

37. The Welfare Exemption should not be denied if a qualified organization's property is used for occasional fundraising or if a qualified organization's property is used regularly for fundraising that is not of a commercial character and not in competition with a business enterprise.

- True
- False

38. The Revenue and Taxation Code does not specifically define the term *used exclusively*, but the courts have done so in a series of decisions. The Board has also defined the term in two published decisions. The Courts have said: "Under the rule of strict but reasonable construction the phrase 'exclusively used' may be given a literal interpretation so as to mean that the property exempted must be used only, solely and purely for the purposes stated to the total exclusion of any other use."

- True
- False

39. The California courts have consistently interpreted the term *used exclusively* to apply not only to primary exempt uses, but also to other uses of property. This same judicial precedent makes it clear that the phrase *incidental to and reasonably necessary for* refers to a use that is normally associated with or related to the accomplishment of an exempt purpose. Examples



of qualifying uses of property, owned by qualifying organizations, involving revenue-generating activities are:

- A small bar operated within a theater for the convenience of theater patrons.
- A museum opened to the public that regularly leases portions of the property to private firms.
- A snack bar, gift shop, and beauty shop operated primarily to serve the convenience of persons assembled for religious purposes.
- All of the above.

40. Private school student tuition income that results in an operating surplus means the nonprofit owner is not organized and operated for charitable purposes or that its property is used for charitable purposes and charitable activities.

- True
- False

41. Leasing a portion of the property to generate rental income to a nonqualified user would result in a denial of the exemption for the area leased.

- True
- False

42. "Unrelated business taxable income," for purposes of the Welfare Exemption, is defined in the Internal Revenue Code as the gross income derived from any unrelated trade or business less directly connected allowable deductions, with certain exceptions, additions, and limitations.

- True
- False

43. The statute defines *occasional* as the use of a property on an irregular basis that is incidental to the primary activities of the owner or other organization, and the use of a property on an intermittent basis that is incidental to the primary activities of the owner or other organization.

- True
- False

44. Example(s) of non-qualifying fundraising activities for the Welfare Exemption include [Mark all that apply]:

- A qualifying organization conducts a dance on its property quarterly, hires an orchestra to provide the music, and charges admission.

- A qualifying organization has parking area property located near the municipal auditorium which generally features cultural and community events on a weekly basis. The organization uses its property in the evenings and during weekends as a commercial parking business when such events are being held.
- A qualifying organization annually operates a fireworks stand on its property for one week prior to the fourth of July.
- All of the above.

45. The court disapproved the exemption for portions of the YMCA facilities used in commercial activities, noting that they were in competition with entities involved in similar business activities which paid property taxes.

- True
- False

46. The issue of whether a revenue-generating activity is a disqualifying commercial activity is decided on a case-by-case basis, taking into account all the facts of the situation. Which of the following factors does Board staff consider in determining whether an organization is involved in an activity that is commercial in nature [Mark all that apply]:

- The presence of substantial profits.
- Consistent profit margins over a period of years.
- If the prices charged for goods sold or services provided are in line with commercial enterprises.
- If activity is in direct competition with other nonprofit organizations.
- Advertising of goods or services in a commercial manner.
- Whether employees' compensation is reasonable for the market.
- The existence of future plans for growth with the purpose of decreasing profits.
- Whether the source of the profits is unrelated to the organization's primary exempt purpose and activity.
- All of the above.

47. Generally, property used for thrift stores is not exempt because it is used for fundraising purposes. Under the Welfare Exemption, the thrift store must be part of a formal, planned rehabilitation program operated by a qualifying organization in which persons are rehabilitated through training and employment and then leave to become gainfully employed elsewhere.

- True
- False

48. A private school's property used for student board and lodging may be exempted as a use within the school's educational purpose. Most of the school's students are day students, but some students rely upon the school for board and lodging. Lodging services provided by a school is reasonably related to the exempt school activity.
- True
- False
49. For purposes of determining eligibility for the Welfare Exemption, it is the use of the housing and related facilities by an organization owning the property and the use by the occupants that must be considered.
- True
- False
50. For purposes of determining eligibility for the Welfare Exemption, the location of a property used for housing in relation to other property owned and used by the exempt organization is irrelevant to the application of the exemption.
- True
- False
51. Pursuant to Property Tax Rule 137, a nonprofit religious corporation which owns and operates a property that provides housing for missionaries, clergymen, and other religious workers and their families who work in establishing and furthering its religious purposes throughout the world is not exempt as a facility incidental to and reasonably necessary for the accomplishment of the church's religious and charitable purposes.
- True
- False
52. Examples of documentation that establish why an organization's use of a property is incidental to and reasonably necessary for the exempt purpose of the organization could include [Mark all that apply]:
- A copy of the organization's tenets, canons, or other written policy confirming that the organization has the established practice or obligation to provide housing to certain employees and/or volunteers to carry out the exempt purpose of the organization.
- A statement explaining how the use of the property for housing and related facilities is a use that is incidental to and reasonably necessary for the accomplishment of the exempt purposes of the organization.
- A statement or other information confirming that the property is used for housing, and if other uses are also made of the property, the nature of those uses.
- All of the above.

53. Subdivision (g) of section 214 extends the Welfare Exemption to property owned and operated by qualifying organizations and used exclusively for rental housing which is occupied by lower-income households. Qualifying organizations are limited to religious, hospital, scientific, or charitable funds, foundations, or corporations.

True

False

54. Owners of low-income housing properties that are limited partnerships in which the managing general partner is a qualified organization must certify and ensure that there is [Mark all that apply]:

An enforceable and verifiable agreement with a public agency.

An "other legal document" that restricts the property for rental to lower-income households.

A recorded deed restriction that restricts the project's usage.

All of the above.

55. An enforceable and verifiable agreement with a public agency generally contains the restriction that the property must be used for qualified low-income tenants for an extended period of time and are recorded with the county recorder in which the property is located.

True

False

56. A recorded deed restriction meeting the requirements of the Welfare Exemption must state that the property's usage is restricted to lower-income housing as specified by applicable statutory provisions. A deed restriction is a limitation on the use of property typically imposed by a grantor in the deed used to convey the property to the new owner [grantee]. Thus, under California law, a deed restriction requires two persons, a grantor and a grantee, or two property owners, in order for a restriction on the use of property to be enforceable.

True

False

57. An "other legal document" meeting the requirements of the Welfare Exemption must be adopted as a resolution or statement of policy by the organization's board of directors, or executed by the organization's chief executive officer, provided that the board of directors has delegated this authority in writing to the chief executive officer. The document should restrict the property such that a minimum of 50 percent of the occupants (units) of the property are low-income households, pursuant to the language in section 214(g)(2)(A)(i).

True

False

58. If a potential claimant is a limited partnership formed after the lien date with a qualified managing general partner and the limited partnership then takes title to a property, the project may qualify for a late-filed exemption pursuant to section 271(a)(3).

True

False

59. Income limits are used to define the terms *very low income* and *low income* in accordance with section 3(b)(2) of the United States Housing Act of 1937, as amended, and are listed by dollar amount and family size. What department annually transmits revisions in the income limits to the California Department of Housing and Community Development (HCD)?

---

60. *Lower-income households* are defined in Health and Safety Code section 50079.5 as persons and families whose incomes do not exceed the limits for lower-income families established and amended in section 8 of the United States Housing Act of 1937.

True

False

61. Revenue and Taxation Code section 214.15 extends the Welfare Exemption to vacant land owned and operated by a qualifying organization under certain circumstances.

True

False

62. Property of a qualifying organization used exclusively for housing and related facilities for elderly or handicapped families may qualify under which of the following criteria for property tax exemption [Mark all that apply]?

Property used exclusively for housing and related facilities for elderly and handicapped families financed by the federal government.

Property used exclusively for housing of elderly or handicapped families at which supplemental care or services are provided.

Property used exclusively for housing and related facilities for low- and moderate-income elderly or handicapped families.

All of the above.

63. The Welfare Exemption provides exemption from property taxes but does not provide exemption from special assessments for local improvements.

True

False

64. The Welfare Exemption is administered solely by the county assessor and the claim form must be filed with the assessor on or before February 15 of each year to be eligible for the full exemption.

True

False

65. The exemption claim is a public record and is subject to public review.

True

False

66. Under the current administration, the county assessor determines whether an organization is eligible for the Welfare Exemption, and the Board determines whether an organization's property use qualifies for the exemption.

True

False

67. As part of its statutory duties, the Board is authorized to conduct an audit or verification of an organization to determine if the organization meets the requirements of section 214.

True

False

68. An assessor may not deny an exemption claim if an *Organizational Clearance Certificate* was granted by the Board.

True

False

69. If an assessor finds a claimant's property ineligible for the Welfare Exemption, the assessor must [Mark all that apply]:

Notify the claimant in writing of that finding.

Provide notification that the claimant may file an appeal with the county board of supervisors.

Provide notification that the claimant may seek a refund of property taxes by filing a claim for refund with the county board of supervisors.

All of the above.

70. Board staff reviews the organization's formative documents to verify that the documents 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, literary, or hospital purposes.

True

False

71. An organization must include a copy of an unrevoked federal or state tax exemption letter with claim form BOE-277. The unrevoked tax exemption letter may be from the [Mark all that apply]:

Internal Revenue Service stating that the organization is exempt under Internal Revenue Code section 501(c)(2).

Internal Revenue Service stating that the organization is exempt under Internal Revenue Code section 501(c)(3).

Franchise Tax Board stating that the organization is exempt under Revenue and Taxation Code section 23701d.

72. An appeal of the Board staff's denial of a Welfare Exemption is to be filed within 30 days of the date of mailing of the final notice of ineligibility (Form BOE-277-F2). The petition for hearing must be written, state whether an oral hearing is requested, and addressed to the Board Proceedings Division.

True

False

73. Limited partnerships that own and operate lower-income housing are required to file a claim for an *Organizational Clearance Certificate* (Form BOE-277).

True

False

74. Any claimant who has been found ineligible for the Church or Religious Exemptions after timely filing an affidavit (February 15), may then file an affidavit for the Welfare Exemption. However, such affidavit for the Welfare Exemption must be filed within 15 days from the date of notification by the assessor of the claimant's ineligibility for the Church or Religious Exemptions in order for the Welfare Exemption claim to be considered timely filed.

True

False

75. Which claim form must be filed with the assessor in the county where a property is located by a claimant filing for an initial request for a Welfare Exemption on a specific property.
- Form BOE-267-A
  - Form BOE-277
  - Form BOE-267
76. A claimant must submit a separate Welfare Exemption claim for each property location, for each fiscal year, for which exemption is claimed.
- True
  - False
77. Claim form BOE-267-H must be filed as a supplemental affidavit with a claimant's Welfare Exemption claim for the following property use(s):
- Low-income households owned by a limited partnership.
  - Housing for low- or moderate-income elderly or handicapped persons.
  - Thrift store in conjunction with rehabilitation/associated housing.
  - All of the above
78. If a claim is not filed timely, the combined tax, penalty, and/or interest may not exceed \_\_\_\_\_. The \_\_\_\_\_ should not be based on each parcel in a claim, or on each claim if there is more than one claim, but on the claimant's total property that is exempt in the county.
79. There is no statute of limitations for filing a claim late where it involves a cancellation of taxes or for filing a claim for refund of taxes paid.
- True
  - False
80. Under the Church Exemption, a property must be owned by a church organization to be eligible for the exemption.
- True
  - False
81. The Welfare Exemption provides exemption to property used exclusively for religious purposes, and the Church Exemption provides exemption to property used solely and exclusively for religious worship.
- True
  - False



82. Use of a church facilities by nonprofit charitable groups for occasional meetings which do not interfere with the primary use of the property is not a disqualifying use if no charge is made for the use, or any charge is intended merely to cover the ordinary and necessary costs of making the facility available for use, such as janitorial and utility costs.

True

False

83. Use of church property for fundraising barbecues held twice monthly and on holidays from May through September, publicized in the local newspaper to include take-out orders which can be called in, and free delivery to home or business, is an example of an activity that could be regarded as a qualifying incidental fundraising use.

True

False

84. A church parsonage or rectory owned by a church society or religious body and occupied as a residence by the pastor or corresponding church dignitary may qualify under what exemption?

Church Exemption

Religious Exemption

Welfare Exemption

85. An individual who owns the land and the building where religious services are regularly conducted may not claim the Church Exemption.

True

False

86. Churches are exempt from property taxes and special assessments.

True

False

87. Article XIII, Section 4(d) of the California Constitution authorizes the Legislature to exempt from property taxation in whole or in part "real property not used for commercial purposes that is reasonably and necessarily required for parking vehicles of persons worshipping on land exempt by Section 3(f)."

True

False

88. The Religious Exemption is available if another church is permitted to use the property part-time for religious worship and/or to operate a qualifying school, provided the owner of the property also conducts worship services on the property.

True

False

89. Section 270 contains remedial provisions of late-filed religious exemption claims. Where a timely claim is not filed, the maximum amount of tax, penalty, or interest on property entitled to relief shall be \_\_\_\_\_. The \_\_\_\_\_ should not be based on each parcel in a claim, or on each claim if there is more than one claim, but on the claimant's total property that is exempt in the county.

90. There is no statute of limitations for filing a late claim where it involves a cancellation of taxes or when it involves a claim for refund.

True

False

91. Based on the criteria provided in each situation described below, identify whether the property may be eligible for the Church, Religious, or Welfare Exemptions.

A. Property used for worship services and for a school of less than collegiate grade and is owned by a church organization.

\_\_\_\_\_

B. Property used exclusively for religious worship but not owned by a church organization.

\_\_\_\_\_

C. A church parsonage or rectory owned by a church society or religious body and occupied as a residence by the pastor or corresponding church dignitary.

\_\_\_\_\_

D. Convent owned by a church organization.

\_\_\_\_\_