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TO COUNTY ASSESSORS:

WELFARE EXEMPTION: FUND-RAISING ACTIVITIES

Inquiries have recently been received in regard to the proper application of the welfare exemption in situations where portions of the property are used for purposes of fund raising. Revenue and Taxation Code, Section 214, requires that the property be used exclusively for religious, hospital, scientific or charitable purposes, but court decisions have additionally permitted uses that are incidental or reasonably necessary to the primary purpose. Incidental uses must be directly connected with the furtherance of the primary use.

Specifically, the California Supreme Court has ruled that a hospital thrift shop which sold donated clothing and devoted the proceeds to the operation of a free children's clinic was not eligible for exemption. The court held that the shop was an independent undertaking to raise revenue which is not incidental to and reasonably necessary for the accomplishment of a hospital purpose. The determinative prerequisite is the actual use of the property itself, regardless of the ultimate purpose to which any proceeds may be devoted.

The above "thrift shop" rule should also be applied to claimants whose properties are primarily used for religious or charitable purposes. Consider the situation in which a portion of a church building or an auxiliary church hall is used for the conduct of income-generating bingo games. It will be necessary to evaluate several factors to conclude whether this activity is incidental to the religious purpose of the church or whether it is independently conducted for fund raising. Three of the most significant variables would include: (1) the net proceeds as a percentage of the entire cost of the activity; (2) the identity of the participants, and (3) the frequency of the event.

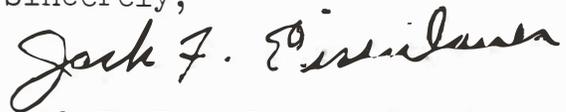
Clearly eligible would be an activity that generates minimal or no proceeds, is attended solely by members of the church, and occurs on a purely random basis. At the other extreme is the situation

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whereby several times the amount of cost is netted, attendance is by the general public, and the event is repeated weekly at a scheduled time. The latter is by intent and actual fact an ineligible fund-raising activity, whereas the former appears to be an incidental social gathering of the church members.

Since the possibilities are numerous, it will be necessary to weigh the suggested variables and any other facts that are deemed relevant in order to arrive at a case-by-case conclusion. If the activity is found to be primarily a fund-raising event, it would then be proper to physically segregate this portion of the property according to its value and to permit exemption on the remaining premises that are not so used.

Sincerely,



Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:ljb