

State of California  
BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Division 1. State Board of Equalization-Property Tax  
Chapter 2. Assessment  
Article 3. Exemptions and Immunities

**Rule 143. Requirements for Irrevocable Dedication Clause and Dissolution Clause for Organizational Clearance Certificate for Welfare Exemption.**

*Authority:* Section 15606, Government Code.

*Reference:* Sections 214, 214.01, 254.5 and 254.6, Revenue and Taxation Code.

**(a) DEFINITIONS.** For the purposes of this regulation:

(1) "Dissolution clause" means a statement in the organizational documents of a qualifying organization that upon the liquidation, dissolution, or abandonment of the qualifying organization, the exempt property will not inure to the benefit of any private person except another qualifying organization.

(2) "Irrevocable dedication clause" means a statement in the organizational documents of a qualifying organization that the property is irrevocably dedicated exclusively to one or more qualifying purposes.

(3) "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 chartered by an act of Congress.

(4) "Qualifying organization" means a community chest, fund, foundation, nonprofit corporation, or eligible limited liability company, organized and operated exclusively for religious, hospital, scientific, or charitable purposes. Charitable purposes include educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

(5) "Qualifying purpose" means a religious, hospital, scientific or charitable purpose. Charitable purposes include educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

**(b) IN GENERAL.** In order to qualify for the welfare exemption provided in Revenue and Taxation Code section 214, among other requirements specified therein, the property owned by a qualifying organization must be irrevocably dedicated exclusively to one or more qualifying purposes, and upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will not inure to the benefit of any private person except another qualifying organization. In order to satisfy these requirements, the organizational document of the qualifying organization must contain both an irrevocable dedication clause, which meets the requirements set forth in subdivision (c) below, and a dissolution clause, which meets the requirements set forth in subdivision (d) below.

**(c) 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.

(1) If the organization's charitable purpose is educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j), the irrevocable dedication clause shall state that the property is irrevocably dedicated to educational purposes as defined in section 214, or that the property is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

(2) If the irrevocable dedication clause states that the property is dedicated to purposes other than the qualifying purposes, the property does not qualify for the welfare exemption.

(3) If the irrevocable dedication clause states that the property is irrevocably dedicated to a "public" or "public benefit" purpose, the property does not qualify for the welfare exemption.

(4) The following examples illustrate irrevocable dedication clauses as defined in subdivision (a)(2) above:

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Example No. 1: The property owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

Example No. 2: The property owned by this organization is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 3: The property owned by this organization is irrevocably dedicated to educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

Example No. 4: The property located in California owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

Example No. 5: The property owned by this organization is irrevocably dedicated to charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

Example No. 6: The property of this corporation 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 to the benefit of any private person.

**(d) DISSOLUTION CLAUSE.** In order to qualify for the welfare exemption, the qualifying organization's organizational document must contain a dissolution clause, which specifically states that its property will be distributed to another qualifying organization entity upon its liquidation, dissolution, or abandonment.

(1) If the dissolution clause in the organizational document designates a specific organization to receive the distribution, it must state that the designated organization is a qualifying organization that is organized and operated for a qualifying purpose.

(2) The dissolution clause of the qualifying organization may provide that, upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will inure to the benefit of a governmental entity.

(3) The following examples illustrate dissolution clauses as defined in subdivision (a)(1) above:

Example No. 1: 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 a charitable, scientific, hospital, or religious purpose meeting the requirements of Revenue and Taxation Code section 214.

Example No. 2: Upon the liquidation, dissolution or abandonment of this organization, the proceeds or assets related to property located in California, 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 a charitable, scientific, hospital, or religious purpose meeting the requirements of Revenue and Taxation Code section 214.

Example No. 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 an organization organized and operated exclusively for charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 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 exclusively for educational purposes meeting the requirements of Revenue and Taxation Code section 214, subdivision (j).

Example No. 5: 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 No. 6: 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.

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**(e) FAILURE TO MEET REQUIREMENTS.**

(1) If, at the time of filing, the applicant's organizational document does not contain an irrevocable dedication clause and/or a dissolution clause which meets the requirements of subdivisions (c) and (d), respectively, the organization does not qualify for the Organizational Clearance Certificate under Revenue and Taxation Code section 254.6. However, the applicant may be issued an Organizational Clearance Certificate for the fiscal year for which the Organizational Clearance Certificate is requested on its application if the applicant amends its organizational document to meet the requirements of subdivisions (c) and (d) and submits a certified copy of the amendment to the State Board of Equalization by the next succeeding lien date.

(2) If, at the time of filing, applicant's organizational document did not contain an irrevocable dedication clause and/or a dissolution clause which meets the requirements of subdivisions (c) and (d), respectively, and the applicant amends its organizational document to meet the requirements of subdivisions (c) and (d) after the next succeeding lien date, an Organizational Clearance Certificate may be issued under Revenue and Taxation Code section 254.6 for the fiscal year following the lien date by which the applicant amends its organizational document and submits a certified copy of the amendment to the State Board of Equalization.

(3) If the applicant amends its organizational document, a certified copy of the amendments must be provided to the State Board of Equalization.

(4) The county assessor may not approve a welfare exemption claim until the State Board of Equalization has issued an Organizational Clearance Certificate under Revenue and Taxation Code section 254.6.

*History:* Adopted March 28, 2006, effective July 23, 2006.