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November 3, 1982

TO COUNTY ASSESSORS:

No. 82/126

ASSEMBLY BILL 3426

Agricultural Fairs Conducted on County Property-
Church Property Leased to School Districts

On August 24, 1982, the Governor approved Assembly Bill 3426 (Chapter 558, Statutes of 1982). This bill adds Section 201.2 and amends Section 214.6 of the Revenue and Taxation Code. Section 201.2 is applicable to assessments made after January 1, 1983. The amendment to Section 214.6 becomes operative January 1, 1983 for the 1983-84 assessment year.

Section 201.2, Agricultural Fairs

Section 201.2 provides that a nonprofit which has contracted with the board of supervisors, as specified, for the conduct of an agricultural fair on county-owned property shall be deemed an agency of the county for property tax purposes and exempt as such from taxes including possessory interest. The exemption does not apply to property subleased to profit-making organizations or concessionaries. No exemption claim form is required.

The section also provides that any taxes levied as a result of an assessment made after January 1, 1982 shall, if unpaid, be cancelled, and if paid, be refunded.

Section 214.6, Church Property Leased to School Districts

This legislation identifies former Section 214.6 as subdivision (a) and adds subdivision (b) which States:

- (b) To claim the exemption provided by this section for property leased by a church to a school district, the church need only file a lessor's exemption claim and affirm each of the following:
 - (1) The total income received by the organization in the form of rents, fees or charges from the lease does not exceed the ordinary and usual expenses in maintaining and operating the leased property.

- (2) With respect to entities which are political subdivisions of the state, the property is located within the boundaries of the exempt governmental entity leasing the same.

Two points must be kept in mind:

1. “. . .the exemption provided by this section . . .” refers to Article XIII, Section 4 (b) of the Constitution which provides for the Religious Exemption and the Welfare Exemption. It does not refer to the Church Exemption.
2. The law has not changed with respect to property used exclusively by a school district. The Lessors’ Exemption claim has been appropriate for such property for several years. This bill affects only certain instances where there is joint, non-exclusive use of property.

Previously, filing for the Welfare Exemption and attaching a copy of the lease agreement was required when church property was leased to a school district but used by both entities in a joint, non-exclusive manner (i.e., the school district uses the property weekdays and the church uses it weekends and evenings). This procedure is outlined in Assessors’ Letter 77/55. Chapter 558 simplifies the procedure for claiming an exemption only for those churches whose property would qualify for the Religious Exemption except that it is leased to a school district and used by both entities. In such circumstances for 1983-84 and thereafter, the church need only claim the Religious Exemption (one-time filing) if it has not already done so, annually file a Lessors’ Exemption claim (with the affidavit on the reverse signed by the school district), and attach a statement that affirms that (1) the income under the lease does not exceed the costs of maintaining and operating the property and (2) the church is located within the school district’s boundaries.

The Welfare Exemption claim is still required if the church does not use the property, uses the property for purposes other than those provided by the Religious Exemption (worship or worship and school activities), uses the property for bingo games, or organizations or persons other than the church and school district use the property.

The bill also specifies there shall be no reimbursement to local government.

A copy of AB 3426 is enclosed. Please contact Bill Grommet, Vance Price, or Bill Minor of this division if you have any questions or comments regarding this legislation.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:bjb
Enclosure
AL-12-1387A