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September 17, 2004

RAMON J. HIRSIG  
 Executive Director

No. 2004/052

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

### **PROPOSED NEW WELFARE EXEMPTION RULES**

The Board staff will initiate the rulemaking process for the purpose of adopting four new property tax rules to implement statutory law pertaining to the welfare exemption in section 214 et seq. of the Revenue and Taxation Code. The following provides the proposed content of each rule and the statutory provision that the proposed regulation will implement.

- Proposed Rule 140, *Managing General Partner as a Qualifying Organization for the Welfare Exemption*

The proposed rule will clarify and make specific the management authority and types of management duties that are required of an eligible nonprofit organization that is the managing general partner of a limited partnership, which owns and operates a low-income housing property, in order for the organization to be eligible for exemption under section 214, subdivision (g).

- Proposed Rule 141, *Welfare Exemption Requirements for the Lower Income Housing Properties of Limited Partnerships With a Nonprofit Organization as a Managing General Partner*

The proposed rule will clarify and make specific the requirements for lower income housing properties owned and operated by a limited partnership in order to be eligible for exemption under section 214, subdivision (g). The Board issues a supplemental clearance certificate to nonprofit managing general partners of limited partnerships for lower income housing properties meeting the legal requirements for the welfare exemption under section 214, subdivision (g). The proposed rule will interpret and make specific statutory requirements relating to the organization, the property, and exemption claim filing for a qualifying limited partnership, pursuant to section 214, subdivision (g).

- Proposed Rule 142, *Welfare Exemption Requirements for Low-Income Housing Properties*

The proposed rule will interpret and make specific terms in section 214, subdivision (g). Some of the terms that will be defined by the rule include, but are not limited to, "regulatory agreement," "deed restriction," "federal low-income tax credits," and "government financing." The proposed rule will define such terms in the context of statutory requirements for low-income housing properties owned and operated by nonprofit organizations or by limited

partnerships with a nonprofit organization as a managing general partner of the limited partnership.

- Proposed Rule 143, *Irrevocable Dedication Clause and Dissolution Clause Requirements for the Welfare Exemption*

The proposed rule will clarify and make specific statutory requirements in sections 214, subdivision (a)(6), and 214.01 for irrevocable dedication and dissolution clauses in the articles of incorporation of a nonprofit organization filing a claim for the welfare exemption. The rule will discuss basic language requirements of these clauses in an organization's formative document and include examples of acceptable language.

Interested parties may submit comments with regard to subject areas or statutory provisions to be addressed in the proposed rules, as outlined above, as well as comments regarding any additional subject areas or statutory provisions that should be added. Please provide suggestions or comments by October 15, 2004 to Ladeena Ford (Ladeena.Ford@boe.ca.gov).

Board staff anticipates distributing drafts of these rules in late 2004 with the proposed schedule for this project. Interested parties will have an opportunity to submit proposed revisions to the language of the draft rules. A meeting will be held to discuss proposed changes to the text of the draft rules.

This letter and all future informational updates regarding this project will be posted on the Board's Web site ([www.boe.ca.gov](http://www.boe.ca.gov)) and can be accessed by selecting the following links: (1) Property Taxes, (2) Property Tax Committee Work Plans, and (3) Property Tax Committee Work Plans 2005. If you have any questions, please contact Ladeena Ford at (916) 324-5839, Ladeena.Ford@boe.ca.gov.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

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