

TAX EXEMPTIONS FOR CHARITABLE SOCIETIES



Bulletin No. 122

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

September 1974

TAX EXEMPTIONS FOR CHARITABLE SOCIETIES

Table of Contents

	<u>Page</u>
I. Senate Concurrent Resolution No. 40, 57th Session of the Nevada Legislature (1973)	1
II. Report of the Legislative Commission	2
III. Summary of Recommendations	3
IV. Report of the Legislative Commission's Subcommittee for Study of Tax Exemptions For Charitable Societies	
1. Introduction	4
2. Tax Dollar Impact of Charitable Tax Exemptions on Local Budgets	5
3. Present Procedure for Granting Charitable Tax Exemptions	6
4. Problems in Determining Who is a Charitable Organization Under NRS 361.135 and 361.140	8
5. Nonexempt Use of Exempt Property	11
6. Annual Filing Requirement	12
7. Notifying Local Government of Pending Exemption Bills	13
V. Exhibit A--Fiscal Impact of Charitable Tax Exemptions on Local Budgets.	
Exhibit B--Exempt Organizations under NRS Chapter 361.	
Exhibit C--Criteria to Determine Profitability of Exemption Applicant (Section 7, chapter 71-133, <u>Laws of Florida</u> , 1971).	
Exhibit D--Criteria to Determine Nonexempt Use of Exempt Property (Section 8, chapter 71-133, <u>Laws of Florida</u> , 1971).	

VI. Suggested Legislation

Appendix 1--Bill to remove authority of county assessors
and certain boards to grant charitable tax
exemptions.

* * *

LEGISLATIVE COMMISSION

Carl F. Dodge
James I. Gibson
Warren L. Monroe
William J. Raggio
C. Coe Swobe
Lee E. Walker

Keith Ashworth
Joseph E. Dini, Jr.
Lawrence E. Jacobsen
Zelvin D. Lowman
Donald R. Mello
Roy L. Torvinen

Senate Concurrent Resolution No. 40—Committee on Taxation

FILE NUMBER 126

SENATE CONCURRENT RESOLUTION—Directing the legislative commission to initiate and supervise a study of Nevada laws on tax exemptions granted to benevolent and charitable societies.

WHEREAS, Benevolent and charitable societies promote the general welfare by their multitudinous philanthropic activities; and

WHEREAS, Such endeavors are cloaked with a quasi-public character, relieving through private means the burden of taxation otherwise generated by extended public welfare services; and

WHEREAS, Such endeavors have historically been recognized for their intrinsic social worth through popular support and contributions; and

WHEREAS, The people of Nevada have further acknowledged the value of charitable societies by authorizing tax exemptions for such societies in the constitution of this state; and

WHEREAS, Pursuant to the constitutional authority to grant tax exemptions to charitable societies, the legislature has periodically exempted specific lodges and other charitable organizations from property taxation up to a maximum exemption of \$5,000 of assessed valuation to any one lodge, society or organization, as set forth in NRS 361.135; and

WHEREAS, Certain inequities appear to exist in the present method of granting benevolent and charitable tax exemptions; and

WHEREAS, Persisting questions of uniformity and equity surrounding the constitutional intent to encourage the growth of benevolent and charitable societies merit further consideration; now, therefore, be it

Resolved by the Senate of the State of Nevada, the Assembly concurring, That the legislative commission is hereby directed to initiate and supervise a study of the laws of the State of Nevada relating to tax exemptions granted to benevolent and charitable societies, to be conducted by the staff of the legislative counsel bureau, and to report the results of such study and make recommendations for corrective revision of such laws to the 58th session of the legislature of the State of Nevada.

REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 58TH SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Senate Concurrent Resolution No. 40 of the 57th Session of the Nevada Legislature, which directed the Legislative Commission to initiate and supervise a study of Nevada law relating to tax exemptions granted to benevolent and charitable societies.

The Legislative Commission appointed a subcommittee to make the study and recommend appropriate legislation to the next session of the legislature. Senator C. Coe Swobe was designated chairman of the subcommittee and the following legislators were named as members: Senator Thomas R. C. (Spike) Wilson II and Assemblymen Roger Bremner, Alan H. Glover and James E. Smalley.

The Legislative Commission accepts the subcommittee's report and thanks the members and staff of the subcommittee for their efforts in making the required study.

The report is transmitted to the members of the 1975 legislature for their consideration and appropriate action.

Respectfully submitted,

Legislative Commission
State of Nevada

September 1974

SUMMARY OF RECOMMENDATIONS

The Legislative Commission's Subcommittee for Study of Tax Exemptions For Charitable Societies submits the following recommendations for the consideration of the 58th Session of the Nevada Legislature:

1. That all charitable organizations presently enjoying a property tax exemption be "grandfathered" with respect to changes in the exemption laws or procedures recommended by this subcommittee.
2. That authority to grant charitable tax exemptions be removed from the county assessors and all boards of equalization. The legislature alone will handle initial exemption applications while assessors will continue to determine each year thereafter only whether the exempt property had actually been put to an exempt use.
3. That each legislative tax committee adopt a rule requiring an exemption applicant to notify the appropriate board of county commissioners, city council and school board of the application before its consideration by the committees.
4. That NRS 361.140 relating to tax exemptions for certain charitable corporations not be amended to provide detailed guidelines for the legislative tax committees or local entities in their consideration of exemption bills before the legislature.

REPORT OF THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE
FOR STUDY OF TAX EXEMPTIONS FOR
CHARITABLE SOCIETIES

1. Introduction

In 1973, the 57th Session of the Nevada Legislature adopted Senate Concurrent Resolution No. 40, which directed the Legislative Commission to initiate and supervise a study of Nevada law relating to tax exemptions granted to benevolent and charitable societies and to make recommendations for corrective revision of the law to the next session of the legislature. To pursue the study, the Legislative Commission appointed a subcommittee chaired by Senator C. Coe Swobe, and composed of the following members: Senator Thomas R. C. (Spike) Wilson II, and Assemblymen Roger Bremner, Alan H. Glover, and James E. Smalley.

With a budget of \$1,000, the subcommittee held two public hearings, the first in Las Vegas on December 7, 1973, and the second in Carson City on February 25, 1974. On April 12, 1974, the subcommittee met in executive session in Reno to adopt its recommendations to the Legislative Commission. The unexpended budget now amounts to an estimated \$155.

The Nevada legislature acknowledged the value of charitable organizations in the resolution which authorized this study. By promoting the general welfare through private means, their philanthropic activities were recognized as relieving the tax burden imposed by public welfare services. The people of Nevada have acknowledged the intrinsic social value of charitable organizations through their support and contributions and by authorizing property tax exemptions for them in the constitution.

But certain inequities were seen by the legislature to exist in the present method of granting these exemptions. The legislative tax committees have no formal guidelines for handling exemption applications. In years past, requests for charitable tax exemptions seemed to be processed in the legislature on the basis of whether the requesting organization had enough "political clout" to get its bill passed.

One session of the legislature would grant many such exemptions, while another would grant few, if any. Frequently, after granting a request, the legislature would receive complaints from the local government entities affected by the tax loss from the exemption.

The concurrent resolution made it clear that the legislative concern related to property tax exemptions granted under provisions of chapter 361 of Nevada Revised Statutes and not to charitable exemptions from other kinds of taxes such as the sales and use tax or the local school support tax. Accordingly, the subcommittee focused its inquiry on exemptions from property taxes.

The subcommittee saw its principal task to be a search for a uniform and equitable approach in the treatment of applications for the property tax exemption. In that effort, the subcommittee examined the procedure used by the legislature and by the county assessors in granting such exemptions under present law and the tax dollar impact of these exemptions on local operating budgets. The subcommittee explored problem areas concerning the requirement for annual filing for the tax exemption, the lack of a satisfactory definition of "public charity" as used in the exemption statutes and the occasional use of charitable property for noncharitable purposes.

All along the way, the subcommittee assumed it was searching for a procedure for the future, that it was not the intent of the legislature to deprive any charitable organization of an exemption granted heretofore under the tax laws of this state. For this reason the subcommittee voted to recommend that all charitable organizations presently enjoying a property tax exemption be "grandfathered" with respect to the changes in the exemption laws or procedures recommended by this subcommittee. (See page 3)

2. Tax dollar impact of charitable tax exemptions on local budgets

The subcommittee found that the loss in tax revenues from property tax exemptions to charitable organizations is very small. The Nevada Tax Commission reports that for fiscal 1973-74 the loss to local entities approximates \$244,240

and \$12,996 to the state's general fund. The tax commission reviewed the tax rate and appropriation fund budgets of each local entity in the state to determine the dollar impact on each by the charitable exemptions granted in that entity. The tax loss ranged from a high of \$70,233 for the Clark County School District to only \$3 in the town of Goldfield. The \$70,233 represents a .000818 percent impact on the Clark County School District's budget. No local entity had an impact of more than .003 percent, meaning the dollar impact of charitable tax exemptions on all entities is less than one-third of 1 percent. (See exhibit A.)

While the dollar impact of charitable tax exemptions on local governmental budgets is very small, it is very large on the budgets of the organizations receiving them. Property taxes against a building recently completed by Junior Achievement in Reno is estimated at \$3,000. Unless Junior Achievement receives an exemption, its program will be forced to eliminate approximately 300 students. Without its tax exemption, the Reno Elks Home would suffer a hardship because it operates on a "zero budget." The Elks plow back the money saved on taxes for upkeep of the building which permits its use by a larger segment of the community. It was pointed out that in many smaller communities, the local lodge building is the only facility that can be used as a "townhall."

3. Present procedure for granting charitable tax exemptions

Under present law, both the legislature and the county assessor may grant a property tax exemption to a charitable organization. The legislature may exempt by law property used for municipal, educational, literary, scientific or other charitable purposes under Article 10, § 1 of the Nevada constitution. Similarly, under Article 8, § 2, Nevada constitution, the property of corporations formed for municipal, charitable, religious or educational purposes may also be exempted by law. With the enactment of NRS 361.110, 361.111, 361.115, 361.123, and 361.135, the legislature has granted such exemptions to 20 specifically named organizations, not including unnamed religious and other associations. (See exhibit B for a list of organizations exempted under NRS chapter 361.)

These statutes may well constitute a conclusive legislative determination that the functions of the named organizations are one of the exempt purposes listed in the constitution. (See Bruce v. Young Men's Christian Ass'n, 51 Nev. 372, 379, 277 P. 798 [1929].) For this reason, it appears that the role of the county assessor with respect to organizations specifically named for an exemption by the legislature is only to determine whether their property had actually been put to an exempt use during the tax year.

The county assessor derives his power to grant charitable exemptions from the broad language of NRS 361.135 and 361.140. NRS 361.135 exempts not only organizations specifically named by the legislature, as indicated above, but also "any similar charitable organization * * * or any similar benevolent or charitable society * * *."

NRS 361.140 exempts

* * *

(a) Corporations whose objects and purposes are for public charity, religious or educational, and whose funds have been derived in whole or in part from public donations; and

(b) Corporations prohibited by their articles of incorporation from declaring or paying dividends, and where the money received by them is devoted to the general purpose of charity and no portion of the same is permitted to inure to the benefit of any private individual engaged in managing the charity, and where indigent persons without regard to race or color may receive medical care and attention without charge or cost.

* * *

Under this language an organization may apply directly to the county assessor who then decides whether the particular applicant meets the statutory criteria and thereafter whether its property is actually being put to an exempt use.

The subcommittee found that county assessors are granting exemptions under the blanket provisions of NRS 361.135 and 361.140 quoted above. In the 10 counties that responded to a subcommittee inquiry, including Clark but excluding Washoe, seven of the 52 lodges exempted under NRS 361.135 belong to societies not named by the legislature while 40 organizations were exempted by assessors under NRS 361.140.

4. Problems in determining who is a charitable organization under NRS 361.135 and 361.140

While the legislative tax committees presently have no set criteria by which to determine whether an exemption applicant is in fact a charitable organization, county assessors using the statutory language of NRS 361.135 and 361.140 just quoted are apparently little better off. The language is too vague. No one seems to know exactly what the legislature meant by "similar benevolent or charitable society" in NRS 361.135 (1) or "public charity" in NRS 361.140 (1) (a).

Judicial construction of the term "charity" does not seem to offer much help. In Bruce v. Young Men's Christian Ass'n, 51 Nev. 372, 380, 381, 277 P. 798 (1929) and more recently in Hendel v. Weaver, 77 Nev. 16, 22, 359 P.2d 87 (1961), the court specifically approved the following definition of "charity":

A charity, in a legal sense, may be more fully defined as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their minds or hearts under the influence of education or religion, by relieving their bodies from disease, suffering, or constraint, by assisting them to establish themselves in life, or by erecting or maintaining public buildings or works or otherwise lessening the burdens of government. It is immaterial whether the purpose is called charitable in the gift itself, if it is so described as to show that it is charitable in its nature. (Emphasis added.)

It is clear that what may be done for the public as a charity for exemption purposes is very broad; in the words of the court in the Bruce case, it "embraces the improvement and promotion of the happiness of man." 51 Nev. 372, at 380. What is not clear is how many of the public must be able to benefit from the charity. In Bruce the court suggested "an indefinite number of persons." Nor is there any suggestion of what the relationship should be between the charity's benefit and the tax loss to the public.

In the face of the vague language of NRS 361.135 and 361.140, some county assessors have gone separate ways in administering these statutes. At least one assessor requires a copy of the applicant's articles of incorporation and bylaws and would seek the opinion of the local district attorney to help him determine whether or not the organization is in fact charitable. Other assessors apparently grant exemptions only to organizations well known or "established" in the community.

One assessor requires that the public charity benefit the entire public. His district attorney advised him that

* * * if a charitable corporation seeks to offer its charity to a particular religious sect or otherwise systematically responds to the charitable needs of one particular group, then it does not qualify for the exemption.

The assessor in an adjacent county does not impose such a stringent requirement and the result is that similar church farms are exempt in the one county and not the other. It is to the point to note that this result comes despite an Attorney General's Opinion (No. 421, dated June 14, 1967) which states flatly that under NRS 361.140 "land made productive by church labor, without compensation, the products of which are made available for charity, is within the statutory exemption." (Emphasis added.) The problem for these county assessors is what does the phrase "made available for charity" really mean? Without a satisfactory definition of "public charity" or means to adequately examine facts about an applicant's financial condition, its operation or its purposes, it becomes apparent that with individual assessors a determination of the charitable status of any particular

organization could at best be based upon little more than his evaluation of the benefit of the exemption to the community and, at worst, pure whimsy.

The subcommittee realized that to curb inequities resulting from a lack of uniformity in treatment under NRS 361.135 and 361.140, county assessors would either have to be given effective statutory guidelines or be removed altogether from the responsibility of determining who is a charitable organization. To this end, the subcommittee examined detailed criteria set out in a 1971 Florida exemption statute.

The Florida approach focuses on the profitability of the exemption applicant. The Florida law requires applicants to produce records showing the financial condition, record of operation and exempt and nonexempt uses of the property as may be requested by the tax assessor. Assessors are then required to apply specific criteria to determine whether the applicant is a nonprofit or profitmaking venture or whether the property is used for a profit making purpose. (See Exhibit C.) The subcommittee learned that in practice many Florida assessors rely on proof of an organization's exemption from federal income taxes or request that an audit be run to prove nonprofit status. Applying the criteria involves a good deal of work and bother and the tendency was to "ignore the law and exempt those organizations traditionally thought by the assessor to be entitled to an exemption." The result in Florida so far seems to be the same undesired disparity in treatment despite detailed statutory guidelines.

The subcommittee concluded that county assessors could not be provided statutory guidelines effective enough to insure uniform treatment to exemption applicants. It was felt that no single definition of "public charity" or "charitable purpose" no matter how carefully written would be enough. Fairness would seem better served if the legislature alone handled all initial exemption applications and left it to the assessors to determine each year thereafter only whether the exempt property had actually been put to an exempt use. The subcommittee voted to make this recommendation to the Legislative Commission. (See page 3)

5. Nonexempt use of exempt property

The recommendation that only the legislature grant charitable tax exemptions is not meant to suggest an abrogation of the assessors' responsibility under present law to deny any exemption once given because of nonexempt use of the land. NRS 361.110 requires that when exempt property is used for purposes other than those of the named organization and a rent or other valuable consideration is received for its use, the property shall be taxed. The use of real property of lodges and other charitable organizations exempt under NRS 361.135 is restricted in the same way. Under NRS 361.115 and 361.123 exempt property is taxed when used for nonexempt purposes whether rent is received or not. Similar language applies to the personal property of NRS 361.135 organizations and to all exempt property belonging to charitable corporations under NRS 361.140. The subcommittee considered the question of whether the language of these statutes adequately served as guidelines to help assessors (1) identify nonexempt use and (2) treat nonexempt use that may occur occasionally or on only a portion of the exempt property.

The charitable exemption statutes limit exempt use to the "legitimate purposes" of the particular organization. The problem was illustrated in testimony before the subcommittee. One lodge wondered what would happen to its exemption if it rented a portion of its building to service organizations such as Rainbow or Demolay for their social activities and then used any profit from the rent for charitable purposes.

The lodge felt that rental under these circumstances constituted a "community service" which was one of its purposes and should be treated as an exempt use. The subcommittee recognized it would be difficult to draw a distinction in the statutes between "community service" uses and other social activities that could be easily applied. For the assessor, the problem of identifying nonexempt use is basically the familiar, often difficult one of identifying what is charitable and what is not.

How the assessor should treat nonexempt use which occurs occasionally or on a portion of the exempt property has been given some clarity by the Attorney General. In Opinion No. 58, dated February 4, 1972, he decided:

Where real property owned by an NRS 361.135 charitable organization is used at various times by the organization for its own purposes and by others for their own purposes, and rent is received from such others, the principal or dominant use to which the property is put determines whether the property, treated as a whole is taxable or exempt.

Where the principal use of a portion of realty owned by an NRS 361.135 charitable organization is for the purposes of the organization, while the remainder is rented for other purposes, said remainder should be separately assessed and placed on the tax roll, whereas the portion used principally for the organization's purposes remains exempt.

Property does not have to be used exclusively for exempt purposes in order to be totally exempt from taxation. Only predominant exempt use is required. Yet "principal" or "dominant" use does not appear to be defined in Nevada. The subcommittee examined a provision in the 1971 Florida exemption statute which set criteria assessors can apply in determining whether an exemption applicant is actually using all or a portion of its property predominantly for an exempt purpose. (See Exhibit D.)

6. Annual filing requirement

NRS 361.155 requires that all exemption claims on real property be filed each year before a certain date. Failure to meet the deadline results in a loss of the exemption. This has actually happened to some organizations and the subcommittee was asked to consider recommending repeal of the annual requirement as has been done with churches (NRS 361.125) or enactment of a procedure whereby the deadline for filing could be extended in certain cases. But most other organizations expressed to the subcommittee their feeling that the annual filing requirement was appropriate. The subcommittee decided to make no recommendation respecting the matter.

7. Notifying local government of pending exemption bills

The subcommittee recognized from the start that each legislative tax committee needed more input not only to aid its determination of the charitable status of an exemption applicant but also to inform its judgment of the potential impact of the proposed exemption upon the local community. Providing this input would take on a greater urgency if the legislature were, as the subcommittee recommends, the sole body granting charitable tax exemptions. The subcommittee felt that the desired input should come from the county, city and school district which are the local entities most affected by the tax loss from the exemption. Each entity should have an opportunity to be heard in the legislature on requests for property tax exemptions. The problem is that often local government has been unaware of pending exemption bills affecting property in its jurisdiction. If an applicant for an exemption were required to notify the appropriate board of county commissioners, city council and school board of his application before its consideration by the legislative tax committees, these governmental bodies would have an opportunity to issue a statement to the legislature indicating their recommendation that it be granted or denied. This recommendation should be made on the basis of whether the benefits of the charitable service outweigh the revenue loss from the exemption. And to make this determination, local entities should be free to set and apply their own criteria. This process should encourage local entities to bring to the committees' attention whatever facts they may have regarding the charitable nature of the applicant and his use of the property.

The local entities would not be required to make any recommendation or take any action respecting an exemption application. It is sufficient that the applicant prove to the tax committees that he has notified each appropriate entity of his application when it is taken up in committee. Of course, the committees should be satisfied that the local entities have had sufficient time in which to react to the exemption bill. The subcommittee voted to recommend that each legislative tax committee adopt a rule making such notification a prerequisite to its consideration of any property tax exemption bill. (See page 3)

The subcommittee felt it would be unnecessary to provide further guidelines for whatever inquiries the tax committees may wish to make into the charitable nature of the applicant and his use of the property in question or to provide guidelines to the local entities in their consideration of exemption bills before the legislature. For this reason, the subcommittee voted to recommend that portions of NRS 361.140 be amended to reflect only the subcommittee's recommendations that the legislature alone grant property tax exemptions. (See page 3)

Respectfully submitted,

Senator C. Coe Swobe, Chairman
Senator Thomas R. C. (Spike) Wilson
Assemblyman Roger Bremner
Assemblyman Alan H. Glover
Assemblyman James E. Smalley

Exhibits

	ASSESSED VALUE OF ENTITY	ASSESSED VALUE OF FRATERNAL ORGANIZATIONS	TAX RATE	\$ LOSS	APPROPRIATION FUND \$	% OF LOSS TO APPROPRIATION FUND	.25 STATE & LOSS
Carson City		201,850			5,163,720		505
Urban	42,928,860	201,850	2.5018	5,050	2,753,049	.001834	
Ormsby	25,702,847		1.4182		2,410,671		
School District	68,631,707		2.1300	4,299	6,017,692	.000714	
Churchill		20,480					51
County	38,550,872		1.8470	378	2,003,520	.000189	
School	38,550,872		1.9000	389	3,730,726	.000104	
Fallon	9,826,211	20,480	1.0000	205	704,588	.000291	
Clark		3,189,084					7,973
County	1,337,194,006		1.1305	36,053	39,480,438	.000913	
School	1,337,194,006		2.2023	70,233	85,859,933	.000818	
Ed. #1	10,270,797		.1035	25	10,631	.000052	
Ed. #2	1,295,210,539		.0343		445,417		
L. V. #12	807,247,366		.0511		413,337		
Enterprise	14,228,616		.0577		8,267		
Boulder City	18,947,211	66,652	1.1970	798	1,140,170	.000700	
Henderson	37,869,592	133,622	1.2984	1,735	3,540,267	.000490	
Las Vegas	465,150,051	1,640,146	1.3268	21,761	41,022,877	.000530	
North Las Vegas	96,000,051	338,362	1.3268	4,489	6,450,176	.000696	
Bunkerville	637,230		1.2378				
East Las Vegas	10,133,587		1.3020				
Logandale	841,812		.9872				
Mesquite	1,582,739		1.2378				
Overton	1,501,363		.9872				
Paradise	286,582,552	1,010,302	1.3020	13,154	4,616,460	.002849	
Searchlight	3,093,121		1.3070				
Sunrise Manor	67,369,904		1.2509				
Winchester	157,468,004		1.2509				
Douglas		5,000					13
County	82,640,021		.1900	10	2,674,379	.000004	
Schools	82,640,021		1.5600	78	2,696,701	.000029	
Gardnerville	3,802,111	2,975	1.2200	36	85,812	.000420	
Genoa	396,007		.7500		3,190		
Minden	2,587,713	2,025	1.2500	25	76,879	.000338	

FISCAL IMPACT OF CHARITABLE TAX EXEMPTIONS ON LOCAL BUDGETS

	ASSESSED VALUE OF ENTITY	ASSESSED VALUE OF FRATERNAL ORGANIZATIONS	TAX RATE	\$ LOSS	APPROPRIATION FUND \$	% OF LOSS TO APPROPRIATION FUND	.25 STATE & LOSS
Elko		56,120					140
County	107,715,971		1.0913	612	2,368,370	.000258	
Schools	107,715,971		1.9100	1,072	5,134,201	.000209	
Carlin	2,907,216	4,355	1.7487	76	210,156	.000362	
Elko	30,446,189	45,620	.8350	381	1,515,392	.000251	
Wells	4,100,980	6,145	1.6000	98	217,842	.000450	
Jackpot	1,045,567		1.1480				
Montello	475,589		.3885				
Mountain City	208,480		-0-				
Esmeralda		2,533					6
County	9,110,869		2.6500	67	460,814	.000145	
Schools	9,110,869		1.5000	38	277,111	.000137	
Goldfield	563,000	441	.6000	3	13,381	.000224	
Silver Peak	2,667,876	2,092	.6000	13	26,084	.000498	
Eureka		4,400					11
County	18,142,333		1.4100	62	569,060	.000109	
School	18,142,333		2.0800	92	615,908	.000149	
Crescent Valley	338,906		1.0000		7,591		
Eureka	558,749		1.0000	44	35,040	.001256	
Humboldt		45,180					113
County	39,261,126		1.5210	687	2,133,862	.000322	
Schools	39,261,126		2.0490	926	2,368,056	.000391	
Winnemucca	11,349,340		1.1800	533	665,801	.000801	
Lander		7,854					20
County	21,997,931		1.8700	147	1,122,483	.000131	
Schools	21,997,931		1.7000	134	1,264,512	.000106	
Austin	378,338	1,056	1.0000	11	7,811	.001408	
Battle Mountain	2,435,530	6,798	1.1800	80	53,000	.001509	

	ASSESSED VALUE OF ENTITY	ASSESSED VALUE OF FRATERNAL ORGANIZATIONS	TAX RATE	\$ LOSS	APPROPRIATION FUND \$	% OF LOSS TO APPROPRIATION FUND	.25 STATE & LOSS
Lincoln		7,260					18
County	12,305,824		1.3500	98	808,003	.000121	
Schools	12,350,824		1.8800	136	1,264,223	.000108	
Caliente	1,021,121	3,522	1.5000	53	114,851	.000461	
Alamo	199,045		.7500		6,883		
Panaca	450,064	1,553	1.5000	23	12,499	.001840	
Pioche	633,347	2,185	1.2200	27	14,330	.001884	
Lyon		6,040					15
County	62,174,116		1.2740	77	2,673,185	.000029	
Schools	62,174,116		1.2810	77	3,738,139	.000021	
Yerington	4,191,790	5,436	2.1950	119	485,788	.000245	
Fernley	1,754,344		.5670		249,023		
Mineral		29,700					74
County	17,190,596		3.0060	893	1,312,058	.000681	
Schools	17,190,596		1.7440	518	2,260,464	.000229	
Hawthorne	6,277,663		-0-	326 *	147,475	.002211	
Luning	108,221		-0-		6,750		
Mina	510,304		-0-		20,008		
Nye		11,089					28
County	45,031,787		1.5500	172	3,915,703	.000044	
Schools	45,031,787		1.7000	189	2,515,303	.000075	
Gabbs	3,375,744	4,064	1.4000	57	113,378	.000503	
Beatty	1,421,121		1.3000		42,592		
Manhattan	336,435		.6000		7,120		
Pahrump	10,451,624		.4200		95,009		
Round Mountain	313,012		.4000		6,375		
Tonopah	4,915,121	5,916	1.0000	59	169,719	.000348	

* Ratio X total county \$ Loss
Hawthorne Assessed Valuation vs. County Assessed Valuation

	ASSESSED VALUE OF ENTITY	ASSESSED VALUE OF FRATERNAL ORGANIZATIONS	TAX RATE	\$ LOSS	APPROPRIATION FUND \$	% OF LOSS TO APPROPRIATION FUND	.25 STATE & LOSS
Pershing		10,875					27
County	25,376,424		1.3500	147	766,164	.000192	
Schools	25,376,424		1.6800	183	926,912	.000197	
Lovelock	3,061,000		1.7200	187	299,923	.000623	
Storey		13,175					33
County	5,863,899		2.2000	290	449,644	.000645	
Schools	5,863,899		1.5000	198	253,918	.000780	
Godl Hill	278,649	1,775	.9500	17	8,487	.002003	
Virginia City	1,789,627	11,400	.3000	34	99,246	.000343	
Washoe		1,548,460					3,871
County	687,951,325		1.6680	25,828	22,213,409	.001163	
Schools	687,951,325		1.9600	30,350	33,214,924	.000914	
Reno	380,983,976	1,190,804	1.1190	13,325	19,491,320	.000684	
Sparks	89,651,618	280,233	1.1190	3,136	7,979,560	.000393	
White Pine		39,225					98
County	49,366,136		1.6470	646	2,043,182	.000316	
Schools	49,366,136		1.7030	668	2,795,947	.000239	
Ely	10,007,834	33,349	1.4000	467	521,797	.000895	
Lund	133,345		1.4000		4,748		
McGill	1,762,917	5,876	1.4000	82	27,277	.003006	
Ruth	502,264		1.4000		22,629		
TOTALS				\$244,240	\$341,473,250	.000715	\$12,996

EXEMPT ORGANIZATIONS UNDER NRS CHAPTER 361

Charitable and Benevolent Societies

NRS 361.110

1. Nevada Art Gallery, Inc.
2. Young Men's Christian Association
3. Young Women's Christian Association
4. American National Red Cross and Chapters
5. Salvation Army Corps
6. Girl Scouts of America
7. Camp Fire Girls, Inc.
8. Boy Scouts of America

NRS 361.115

1. Nevada Children's Foundation, Inc.

NRS 361.123

1. Nevada Heritage Association, Inc.

NRS 361.135

1. Benevolent Protective Order of Elks
2. Fraternal Order of Eagles
3. Free and Accepted Masons
4. Independent Order of Odd Fellows
5. Knights of Pythias
6. Knights of Columbus
7. Lahontan Audubon Society
8. National Audubon Society, Inc., of New York
9. Defenders of Wildlife of the District of Columbia

NRS 361.140

1. Certain charitable corporations

Others

NRS 361.062 Trusts for furtherance of public functions
NRS 361.073 Water users' nonprofit cooperative
corporations
NRS 361.095 Veterans' organizations
NRS 361.100 University fraternities and sororities
NRS 361.105 Nonprofit private schools
NRS 361.111 Nature conservancy
NRS 361.125 Churches, chapels
NRS 361.130 Cemeteries and graveyards
NRS 361.145 Noncommercial theatres
NRS 361.150 Volunteer fire departments

(N.B.: NRS 82.440 Woman's Christian Temperance Union)

Section 7. Chapter 196, Florida Statutes, is amended by adding a new section to read:

196.195 Criteria for determining profit or nonprofit status of an applicant.—

(1) Applicants requesting exemption shall supply such fiscal and other records showing in reasonable detail the financial condition, record of operation, and exempt and nonexempt uses of the property where appropriate, for the immediately preceding fiscal year as might be requested by the tax assessor or the board of tax adjustment.

(2) In determining whether an applicant for a religious, literary, scientific or charitable exemption under this act is a nonprofit or profit making venture or whether the property is used for a profit making purpose, the following criteria shall be applied:

(a) The reasonableness of any advances or payment directly or indirectly by way of salary, fee, loan, gift, bonus, gratuity, drawing account, commission, or otherwise (except for reimbursements of advances for reasonable out-of-pocket expenses incurred on behalf of the applicant) to any person, company or other entity directly or indirectly controlled by the applicant, or any officer, director, trustee, member or stockholder of the applicant;

(b) The reasonableness of any guaranty of a loan to or an obligation of any officer, director, trustee, member, or stockholder of the applicant or any entity directly or indirectly controlled by such person, or which pays any compensation to its officers, directors, trustees, members or stockholders for services rendered to or on behalf of the applicant;

(c) The reasonableness of any contractual arrangement by the applicant, any officer, director, trustee, member, or stockholder of the applicant regarding rendition of services, the provision of goods or supplies, the management of the applicant, the construction or renovation of the property of the applicant, the procurement of the real, personal, or intangible property of the applicant, or other similar financial interest in the affairs of the applicant;

Exhibit C--Criteria to Determine Profitability of Exemption
Applicant (Section 7, Chapter 71-133, Laws of
Florida, 1971)

(d) The reasonableness of payments made for salaries for the operation of the applicant or for services, supplies and materials used by the applicant reserves for repair, replacement and depreciation of the property of the applicant, payment of mortgages, liens, and incumbrances upon the property of the applicant, or other purposes;

(e) The reasonableness of charges made by the applicant for any services rendered by it in relation to the value of those services;

(f) Each applicant must affirmatively show that no part of the subject property, or the proceeds of the sale, lease, or other disposition thereof, will inure to the benefit of the members, directors, officers, or any person or firm operating for profit or for a nonexempt purpose.

(3) No application for exemption may be granted for religious, literary, scientific, or charitable use of property until the applicant has been found by the tax assessor, or upon appeal by the board of tax adjustment, to be nonprofit as defined in this section.

Section 8. Chapter 196, Florida Statutes, is amended by adding a new section to read:

196.196 Criteria for determining that portion of charitable, religious, scientific or literary property entitled to exempt status.—In the determination of whether an applicant is actually using all or a portion of its property predominantly for a charitable, religious, scientific or literary purpose, the following criteria shall be applied:

(1) The nature and extent of the charitable, religious, scientific or literary activity of the applicant, a comparison of such activities with all other activities of the organization, and the utilization of the property for charitable, religious, scientific or literary activities as compared with other uses.

(2) The extent to which the property has been made available to groups who perform exempt purposes, at a charge that is equal to or less than the cost of providing the facilities for their use, or the extent to which services are provided to persons at a charge that is equal or less than the cost of providing such services. Such rental or service shall be considered as part of the exempt purposes of the applicant. Only those portions of property used predominantly for charitable, religious, scientific or literary purposes shall be exempt. In no event shall an incidental use of property either qualify such property for an exemption or impair the exemption of an otherwise exempt property.

(3) Except as otherwise provided herein, property claimed as exempt for literary, scientific, or charitable purposes which is used for profit making purposes shall be subject to ad valorem taxation. Use of property for functions not requiring a business or occupational license conducted by the organization at its primary residence the revenue of which is used wholly for exempt purposes shall not be considered profit making. In this connection the playing of bingo on such property shall not be considered as using such property in such a manner as would impair its exempt status.

Exhibit D--Criteria to Determine Nonexempt Use of Exempt Property (Section 8, Chapter 71-133, Laws of Florida, 1971)

Exhibit D

Suggested Legislation

SUMMARY--Removes authority of county assessors and certain boards to grant charitable tax exemptions. Fiscal Note: No. (BDR 32-159)

AN ACT relating to property tax exemptions; removing the authority of county assessors and all boards of equalization to grant tax-exempt status to benevolent or charitable societies or organizations and to certain charitable corporations; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 361.135 is hereby amended to read as follows:

361.135 1. The funds, furniture, paraphernalia and regalia owned by any lodge of the Benevolent Protective Order of Elks, Fraternal Order of Eagles, Free and Accepted Masons, Independent Order of Odd Fellows, Knights of Pythias or Knights of Columbus, or by any similar charitable organization, or by the Lahontan Audubon Society, the National Audubon Society, Inc., of New York, the Defenders of Wildlife of the District of Columbia or any similar benevolent or charitable society, so long as the same shall be used for the legitimate purposes of such lodge or society or for such charitable or benevolent purposes, shall be exempt from taxation, but such exemption shall in no case exceed

the sum of \$5,000 assessed valuation to any one lodge, society or organization.

2. The real estate and fixtures of any such organization or society shall be exempt from taxation, but when any such property is used for purposes other than those of such organization or society, and a rent or other valuable consideration is received for its use, the property so used shall be taxed.

3. Where any structure or parcel of land is used partly for the purposes of such organization or society and partly for rental purposes, the area used for rental purposes shall be assessed separately and that portion only shall be taxed.

4. Except as provided in subsection 5, no county assessor or county or state board of equalization shall allow an exemption under this section on real or personal property unless such exemption was granted by an act of the legislature specifically to the society or organization requesting the allowance, notwithstanding the provisions of any law to the contrary.

5. Subsection 4 shall not apply to an exemption under this section heretofore granted a requester specifically by the legislature or pursuant to the provisions of subsections 1 and 2 by the county assessor or a board of equalization.

Sec. 2. NRS 361.140 is hereby amended to read as follows:

361.140 1. In addition to the corporations defined by law to be charitable corporations there are hereby included:

(a) Corporations whose objects and purposes are for public charity, religious or educational, and whose funds have been derived in whole or in part from public donations; and

(b) Corporations prohibited by their articles of incorporation from declaring or paying dividends, and where the money received by them is devoted to the general purpose of charity and no portion of the same is permitted to inure to the benefit of any private individual engaged in managing the charity, and where indigent persons without regard to race or color may receive medical care and attention without charge or cost.

2. All buildings belonging to a corporation defined in subsection 1, together with the land actually occupied by such corporation for the purposes described and the personal property actually used in connection therewith, are exempt from taxation when used solely for the purpose of the charitable corporation.

3. Except as provided in subsection 4, no county assessor or county or state board of equalization shall allow an exemption under this section on real or personal property unless

such exemption was granted by an act of the legislature specifically to the charitable corporation requesting the allowance, notwithstanding the provisions of any law to the contrary.

4. Subsection 3 shall not apply to an exemption under this section heretofore granted a requester specifically by the legislature or pursuant to the provisions of subsections 1 and 2 by the county assessor or a board of equalization.