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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

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TAXPAYER'S GUIDE TO LOCAL PROPERTY TAX EXEMPTIONS

RELIGIOUS and CHARITABLE ORGANIZATIONS

Clauses 3, 10, 11

The Department of Revenue (DOR) has created this fact sheet, in conjunction with the Massachusetts Association of Assessing Officers (MAAO), to provide general information about local property tax exemptions for religious and charitable organizations. **It is not designed to address all questions or issues and does not change any provision of the Massachusetts General Laws. To find out about the specific eligibility and application requirements in your city or town, you must contact your local board of assessors.** The DOR cannot determine your eligibility or give you legal advice. Property taxes are assessed and collected by cities and towns, not by the DOR. Under state law, only your board of assessors, as the local tax administrator, can decide whether your organization qualifies for an exemption. If you disagree with its decision, you may appeal to the state Appellate Tax Board (or county commissioners if your county's government has not been abolished). You may also want to consult with your attorney.

INTRODUCTION

In Massachusetts, the property tax is assessed by cities and towns to fund local services. Municipalities operate on a fiscal year that begins on July 1 and ends the following June 30. Taxes are assessed as of the January 1 before the beginning of the fiscal year to the owner of record on that date. Taxes are a single liability payable in two or four installments during the fiscal year depending on the type of payment system the municipality uses.

Institutions and organizations, such as hospitals, schools, churches and cultural facilities, may qualify for exemption from local taxes on their real and personal property. These exemptions are found in various clauses of Massachusetts General Laws Chapter 59, Section 5 (M.G.L. c. 59, § 5). **However, a religious or charitable organization is not automatically exempt from local taxation when it organizes or acquires property. It must meet specific eligibility criteria and follow certain procedures to obtain an exemption.**

GENERAL INFORMATION	
ADMINISTRATION	The board of assessors in each city or town is responsible for administering property tax exemptions. Exemptions are granted by the assessors according to Massachusetts law.

For more information, please contact your local assessors.

QUALIFICATION DATE	Exempt status for real estate is determined as of July 1, which is the beginning of the municipal fiscal year. Exempt status for personal property is determined as of the January 1 before the beginning of the fiscal year. Your organization must own the property, and meet all other eligibility requirements, on the applicable day to receive an exemption for the fiscal year. It is not entitled to a pro-rata exemption for property acquired after that date. Exemption from taxation is a privilege and your organization must prove that it clearly and unequivocally qualifies.
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RELIGIOUS ORGANIZATIONS (M.G.L. c. 59, § 5, Clauses 10 and 11)	
Personal Property	All personal property (a) owned, or (b) held in trust within Massachusetts for use, by a religious organization of any faith for religious or charitable purposes, is exempt.
House of Worship	A church, synagogue, mosque or other house of religious worship (a) owned by, or held in trust for, a religious organization of any faith, and (b) used and occupied for religious services or instruction, is exempt. A house of worship includes the land under the building, land accessory to the use of the building, such as parking lots, and facilities dedicated to support of religious uses. It does not include vacant land held to build a house of worship or for other religious purposes. Exemption eligibility looks to the dominant use of the property. Incidental or occasional use for other purposes does not affect the exemption, but any part of the property regularly leased or occupied for other purposes is taxable.
Parsonage	A parsonage (a) owned by, or held in irrevocable trust for the exclusive benefit of a religious organization of any faith, and (b) used and occupied as a residence for its clergy, is exempt. A parsonage is a residence occupied by the religious leader or other clergy person of any faith who regularly officiates or conducts services at the congregation's house of religious worship.
Other Real Property	All other real property owned by a religious organization is taxable unless the organization meets all qualifications and follows all procedures for a charitable exemption on the property. (See CHARITABLE ORGANIZATIONS).

CHARITABLE ORGANIZATIONS (M.G.L. c. 59, § 5, Clause 3)	
Definition of Charitable Organization	A charitable organization for property tax exemption purposes is a corporation or trust, established for literary, benevolent, charitable, or temperance purposes. Non-profit status is not sufficient, nor is exempt status for state or federal tax purposes. The organization must be organized for charitable purposes and must actually operate as a public charity. Its dominant purposes and activities must benefit the public at large, not just a limited group of people. In addition, its income and assets cannot be distributed to officers, directors or shareholders while it operates or when it dissolves, nor used for non-charitable purposes. Examples of charitable organizations include non-profit, private schools, colleges, universities, hospitals, museums and cultural facilities. Trade groups, professional associations or social clubs generally do not qualify since they operate primarily for the benefit of their members.
Personal Property	All personal property owned by a charitable organization is exempt, regardless of use.
Real Property Used for Charitable Purposes	Real estate (a) owned by, or held in trust for, a charitable organization, and (b) occupied by the organization, or its officers, for its charitable purposes, or occupied by another charity, or its officers, for its charitable purposes, is exempt.
Real Property Acquired for Charitable Purposes	Real estate bought by a charitable organization with the intention of future relocation for charitable use is exempt even if not occupied immediately. If not occupied for charitable purposes within two years of the acquisition, however, it is taxable until it is so used. If the legislative body of the city or town has voted, subject to local charter, to accept this local option, real estate owned by, or held in trust for, a charitable organization that (a) is held to create community housing, as defined for Community Preservation Act purposes in <u>M.G.L. c. 44B, § 2</u>, and (b) was purchased from an entity that acquired it by a mortgage foreclosure sale, is exempt until the developed housing is rented or sold, but no more than seven years from acquisition.
Other Real Property	All other real property owned by a charitable organization is taxable . This includes property (a) leased to individuals and non-charitable entities, (b) occupied or used for non-charitable purposes, or (c) acquired by the organization after July 1. Real property owned by a taxable individual or entity and leased to or occupied by the organization is also taxable. The charity's liability for taxes is determined by the lease or other agreement.

ANNUAL RETURNS**Charitable Property Return (Form 3ABC)**

A charitable organization owning property on January 1 for which it claims exemption for the fiscal year beginning on the following July 1 must file a charitable property return (Form 3ABC) listing the property. A religious organization must file the return only if it claims a charitable exemption for real property other than a house of worship or parsonage.

The return must be received in the assessors' office by March 1. The assessors may extend that deadline if the organization makes a written request and demonstrates a good reason for not filing on time. The latest the filing deadline can be extended is to the last day for applying for abatement of the tax for the fiscal year to which the return relates. Abatement applications are due the same day as the first installment payment of the actual, not preliminary, tax bill for the fiscal year.

Public Charity Report (Form PC)

The return must include a true and complete copy of the organization's most recent annual report to the Public Charities Division of the Attorney General (Form PC). This requirement does not apply to a religious, veteran or other organization not required to file the report with the Attorney General. For all other organizations, their return is not complete if the report is not included.

A charitable organization is not exempt for any fiscal year for which it does not timely file a complete return.

EXEMPTION APPLICATIONS**Religious Organizations**

A religious organization does not have to file any specific application form to establish exempt status for a house of worship or parsonage. If it is claiming exemption for the first time, or for property not previously exempt as a house of worship or parsonage, it should contact the assessors' office and provide the information needed to establish exempt status and have the property removed from the tax rolls.

If a tax bill is issued for the property in any fiscal year, however, the organization must apply on or before the due date for abatement applications for that fiscal year in order for the assessors to grant the exemption. Abatement applications are due the same day as the first installment payment of the actual, not preliminary, tax bill for the fiscal year. Applications may be made using State Tax Form 128 (abatement application).

Charitable Organizations	A charitable organization claiming exemption for the first time for any property, or a parcel of real property not previously exempt, must apply to the assessors. Once an exemption is established for that property, no further application is required, provided there is no change in ownership, occupancy or other eligibility criteria. If a tax bill is issued for any property in any fiscal year, however, the organization must apply on or before the due date for abatement applications for that year in order for the assessors to grant the exemption. Abatement applications are due the same day as the first installment payment of the actual, not preliminary, tax bill for the fiscal year. Applications may be made using State Tax Form <u>1-B-3</u> (charitable exemption application) or <u>128</u> (abatement application). The organization must also provide whatever supporting information is reasonably required to establish eligibility. This information may include, but is not limited to: • Articles of incorporation, charter or declaration of trust. • Organization by-laws. • Identification of officers, directors or trustees. • Description of charitable activities. • Description of the use of the property, including use by all lessees or other occupants. Some assessors may review applications and supporting documentation before tax bills are issued and make a preliminary determination of your organization's eligibility for exemption.
Payment of Tax	Filing an exemption application does not stay the collection of the tax. Your organization may have to pay the tax when due in order to preserve its right to appeal the assessors' disposition of its application. (See APPEALS). Failure to pay the tax may also subject your organization to interest and collection costs. To avoid additional charges, collection action or loss of appeal rights, the tax should be paid when due. If the exemption is granted, a refund will be made.
Action on Application to Assessors	The assessors have three months (unless extended by written consent of your organization) to act on the application. The assessors must send a notice within 10 days of their decision. If the assessors do not act within the three month (or extended) period, your application is deemed denied. You must be notified within 10 days of a deemed denial.

APPEALS	
Appellate Tax Board	The <u>Appellate Tax Board</u> (ATB) is a quasi-judicial state agency that hears appeals from local assessors' decisions on property tax exemptions. If your county government has not been abolished, an appeal may be made to the county commissioners instead, but assessors may and usually do transfer the appeal to the ATB. ATB decisions may be appealed to the Appeals Court and, ultimately, to the Supreme Judicial Court.
Appeal of Action of Assessors	Your organization has three months from the date of the assessors' decision on its exemption application to appeal to the ATB. If the application was deemed denied, the appeal must be filed within three months of the deemed denied date. The ATB cannot hear the appeal if it is not timely filed. In order to appeal to the ATB, your organization must pay at least one-half of the personal property tax it is contesting. If the appeal involves a real estate parcel with a tax over \$5,000, it must pay all preliminary and actual tax installments on time or, alternatively, pay an amount equal to the average tax assessed, reduced by abatements, for the preceding three years.
Direct Appeal	Alternatively, your organization may take a direct appeal to the ATB within three months of the assessors' determination that its property is not eligible for a charitable exemption. The issuance of a tax bill on the property is considered a determination of non-eligibility for purposes of a direct appeal. The ATB cannot hear the appeal if it is not timely filed. Payment of the tax is not required to take a direct appeal.

ASSESSMENT AND EXEMPTION CALENDAR	
January 1	Property Tax Assessment and Lien Date for Next Fiscal Year Personal Property Exemption Eligibility Date for Next Fiscal Year Date for Determining Property included in Charitable Property Return (Form 3ABC) for Next Fiscal Year
March 1	Charitable Property Return (Form 3ABC) Due for Next Fiscal Year (unless Assessors Give Extension)
June 30	Current Fiscal Year Ends
July 1	Fiscal Year Begins Real Estate Exemption Eligibility Date for Fiscal Year

October - December	Actual Tax Bills Issued for Fiscal Year
November 1 (Semi-annual Payment Communities)* February 1 (Quarterly Payment Communities) *	1 st Actual Tax Installment Due for Fiscal Year Latest Date Assessors May Extend Deadline for Filing Property Returns (Form 3ABC) Exemption (Abatement) Applications Due
3 Calendar Months from Mailing of Actual Tax Bill	Direct Appeal to ATB Due
3 Calendar Months from Filing of Application (or Date of Extension Given by Organization)	Assessors Grant or Deny Exemption Application Deemed Denied if Assessors Have Not Acted
3 Calendar Months from Action by Assessors on Application, or Deemed Denial of Application	Appeal to ATB Due

* Contact Local Board of Assessors in Your Community (Due Date Depends on Payment System and Date Actual Tax Bills Mailed for Fiscal Year)