

June 1998

TO: Boards of Assessors
FROM: Joseph J. Chessey, Jr., Deputy Commissioner
SUBJECT: Revised 3ABC

This *Bulletin* provides you with a revised "Return of Property Held for Charitable Purposes" (State Tax Form 3ABC) approved by the Commissioner of Revenue under G.L. Ch. 58 §31.

The revised Form 3ABC was developed jointly by the Property Tax Bureau and Exemption Committee of the Massachusetts Association of Assessing Officers. The revisions are intended to give charitable and veterans organizations clearer direction about their filing obligations, as well as to provide assessors with relevant information about each organization's purposes and property usage. We hope the revised return assists assessors in evaluating whether an organization continues to qualify for a real or personal property tax exemption as of July 1. Key revisions include:

- Asking about changes in the organization's charter, by-laws or mission since its last filing and changes planned or anticipated in the future.
- Combining total income and asset schedules into a single financial statement.
- Consolidating separate exempt and taxable real estate schedules into a single real estate schedule and asking for more detailed information about the occupancy and use of each parcel.
- Highlighting the requirement to attach a copy of the annual report to the Public Charities Division of the Attorney General's Office (Form PC) to the return and asking for an explanation if it is not attached.

Organizations must use the revised Form 3ABC beginning with returns due on March 1, 1999.

As with all other forms, you may decide with your vendor the paper size and color, as well as the typeset and spacing, for the return. You may also adapt the return for electronic filing. The size and spacing shown in the attachment are a result of our technical limitations and are not intended to prevent you or your vendor from developing a hard-copy or computerized format that better suits your needs. In developing your formats, the primary consideration should be ease of use by the organizations required to file. **The only limitation is that you must use the exact content shown in the attachment and present it in the same order.**

Also enclosed is a new brochure that explains the substantive and procedural requirements organizations must meet in order to qualify for a charitable or religious exemption. It may be reproduced by your office and distributed to organizations currently receiving exemptions or interested in receiving them in the future.

If you have any questions or comments about the return or brochure, please contact Kathleen Colleary at 617-626-2314.

Name of City or Town

Date Received

**FISCAL YEAR 19__ RETURN OF PROPERTY HELD FOR CHARITABLE PURPOSES
General Laws Chapter 59 §5 Clauses 3(b), 5, 5A and 5B and Chapter 59 §29**

THIS RETURN IS NOT OPEN TO PUBLIC INSPECTION
(See General Laws Chapter 59 §32.)

Return to: Board of Assessors

MUST BE FILED WITH ASSESSORS BY MARCH 1

INSTRUCTIONS: COMPLETE BOTH SIDES OF RETURN. Please print or type.

A. GENERAL INFORMATION.

WHO MUST FILE. Every charitable, benevolent, educational, literary, temperance or scientific organization and trust owning real or personal property on January 1 must file a property return in order to receive a local tax exemption on that property under G.L. Ch. 59 §5 Clause 3 for the fiscal year that begins the next July 1. Veterans organizations seeking exemption of real or personal property under G.L. Ch. 59 §5 Clauses 5, 5A or 5B must also file a return.

WHEN AND WHERE RETURNS MUST BE FILED. A separate return must be filed on or before March 1 with the Board of Assessors of each city or town in which the organization owns real or personal property. A return is filed when received by the assessors.

EXTENSION OF FILING DEADLINE. The Board of Assessors may extend the filing deadline if the organization can show a sufficient reason for not filing on time. The latest the filing deadline can be extended is the final date for filing an abatement application for the year. The final date for filing an abatement application is the date the first installment of the actual (not preliminary) tax bill for the year is due. Requests for extensions must be made in writing to the assessors.

PENALTY FOR FAILURE TO FILE, FILING LATE OR FILING INCOMPLETE RETURN. If the organization does not file a timely and complete return, it cannot receive an exemption from taxation for the year. **A return submitted by an organization (except a veterans organization) is not complete unless a true copy of its most recent annual report to the Public Charities Division of the Office of the Attorney General (Form PC) is attached.** These filing requirements cannot be waived by the assessors for any reason.

USE OF AND ACCESS TO RETURN. The information in the return is used by the Board of Assessors to determine the taxable or exempt status of the organization's property. The organization may also be required to provide the assessors with further information to support its claim of exemption. Returns are not available to the public for inspection under the public records law. They are available only to the assessors and the Massachusetts Department of Revenue for purposes of administering the tax laws.

B. IDENTIFICATION. Complete this section fully.

Name of Organization: _____			Year established: _____	
Mailing Address: _____			Phone Number: () _____	
No.	Street	City/Town	Zip Code	Area Code No.
Contact Person: _____			E-Mail Address: _____	
Name		Title		Telephone No. (Day)
Summary of your organization's primary mission, function or purpose: _____ _____				
Have there been any changes in your organization's articles of incorporation, charter or by-laws since the last filing of this return? Yes <input type="checkbox"/> No <input type="checkbox"/> <i>If yes, please attach amendments</i>				
Are any changes in your organization's primary mission, function or purposes planned or anticipated in the future? Yes <input type="checkbox"/> No <input type="checkbox"/> <i>If yes, please explain.</i> _____ _____				

C. FINANCIAL STATEMENT. Provide statement of your organization's total income and assets for prior calendar year (or your most recent fiscal year before January 1) in the schedule below. Documentation may be requested to substantiate the statement.

FOR CALENDAR/FISCAL YEAR ENDING ON _____			
<u>TOTAL INCOME</u>		<u>TOTAL ASSETS</u> (Fair Cash Value)	
Unrelated Business Income Received	\$ _____	Real Estate	\$ _____
Other Income Received	\$ _____	Tangible Personal Property (e.g. furniture, equipment, books, collections, etc.)	\$ _____
Total Income Received	\$ _____	Total Assets	\$ _____

Explain source(s) of any unrelated business income shown in schedule . _____

D. REAL ESTATE. List all real estate owned by your organization on January 1 and located within the city or town in the schedule below and answer the questions that follow. An inspection or documentation may be requested to verify use.

Street Address	Assessors' Parcel No. (If Known)	Fair Cash Value (Estimated)	How is the Property Used by Your Organization?	What Other Organizations or Individuals Use the Property?	How is the Property Used by Others?

Continue list on attachment in same format as necessary.

Did your organization record a deed or other document relating to real estate with the Registry of Deeds within the last year?
 Yes No *If yes, please provide details of transaction and a copy of the recorded document.*

Does your organization anticipate selling, leasing or disposing of any of the real property listed in the schedule, or buying or receiving any other real property within the next eighteen months?
 Yes No *If yes, please explain.*

E. REGISTERED MOTOR VEHICLES. List all motor vehicles registered in Massachusetts owned by or leased to your organization and garaged in the city or town on January 1 in the schedule below. Attach copies of all leasing agreements.

Registered Owner	Year	Make	Model	Registration Number

Continue list on attachment in same format as necessary.

F. PUBLIC CHARITIES REPORT. Attach copy of your organization's report to return. (Does not apply to veterans organizations).

Is a true copy of your organization's most recent annual report to the Public Charities Division of the Office of the Attorney General (Form PC, including Federal Form 990) attached to this return? Yes No *If no, please explain why not*

G. SIGNATURE. Sign here to complete the return

This return, prepared or examined by me, includes all real and personal property owned or held on January 1, _____ by the organization submitting this return. Under the pains and penalties of perjury, I declare that to the best of my knowledge and belief, this return and all accompanying documents and statements are true, correct and complete.

Signature	Title of Officer	Date
-----------	------------------	------

Introduction

In Massachusetts, the property tax is assessed by cities and towns to fund local services. Localities operate on a fiscal year that begins on July 1 and ends on 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 locality uses.

Institutions and organizations, such as hospitals, schools, churches and cultural institutions, may qualify for an exemption from local taxes on real and personal property they own. Ownership does not automatically entitle an organization to an exemption, however. This brochure explains the general criteria that must be met and procedures that must be followed for an exemption to be granted.

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.

Qualification Date

Exemption status is determined as of July 1, which is the first day of the local fiscal year. An organization must meet eligibility requirements as of July 1 to receive an exemption from taxes for that year. Exemption from taxation is a privilege and the organization must prove clearly and unequivocally that it qualifies.

Religious Organizations

(M.G.L. Ch. 59 §5 Clauses 10 and 11)

A religious organization is exempt from local taxation on:

- All personal property (a) owned by, or (b) held in trust within Massachusetts for use by, the organization for religious or charitable purposes.
- A church or house of religious worship (a) owned by, or held in trust for, the organization and (b) used and occupied for religious services or instruction. The exemption also applies to parking lots and halls used for religious classes and other church activities. Incidental or occasional use for other purposes does not affect the exemption, but any portion regularly leased or occupied for other purposes is taxable.
- A parsonage (a) owned by, or held in irrevocable trust for the exclusive benefit of, the organization and (b) used and occupied as a residence for clergy.

All **other** property owned by a religious organization is taxable unless it qualifies for a charitable exemption.

Charitable Organizations

(M.G.L. Ch. 59 §5 Clause 3)

Qualifying Property – A charitable organization is exempt from local taxation on:

- All personal property it owns regardless of use.
- Real estate (a) owned by, or held in trust for, the organization and (b) occupied by the organization, or its officers, for its charitable purposes, or by another charity, or its officers, for its charitable purposes.
- Real estate bought by the organization with the intention of future charitable use. The property need not be occupied immediately. However, if it is not occupied for charitable use within two years of the acquisition, it becomes taxable until put to such use.

All **other** real estate owned by a charitable organization is taxable. This includes property (a) leased to individuals and non-charitable entities, or (b) occupied or used for non-charitable purposes.

In addition, property owned by a taxable individual or entity remains taxable even if leased to and occupied by a charity.

Definition of Charitable Organization - A charitable organization for property tax exemption purposes is defined as 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.

Annual Filings

(M.G.L. Ch. 59 §5 Clause 3(b) and §29)

Form 3ABC - Every charitable organization owning property on January 1 must file a property return (Form 3ABC) with the local board of assessors in order to receive an exemption for the fiscal year that begins on the next July 1. The return must be received in the assessors' office by March 1. The assessors can extend that deadline if the organization applies and demonstrates a good reason for not filing on time. An extension cannot be granted beyond the deadline for filing an abatement application for the fiscal year (the due date of the first installment payment of the actual, not preliminary, tax bill). **Failure to file timely bars the organization from exemption for that year.**

A religious organization must file a Form 3ABC only if it is seeking exemption for property other than a house of worship or parsonage.

Form PC - A true and complete copy of the charitable organization's most recent annual report to the Public Charities Division of the Attorney General's Office (Form PC) must be attached to the Form 3ABC. Failure to submit the Form PC also bars the organization from exemption.

Applications

An organization seeking a charitable exemption for personal property, or a particular parcel of real property, must make an initial application to the local board of 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.

Application forms are available at the assessors' office. The organization must provide whatever 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.

The application must be filed within the same period as abatement applications for the fiscal year (the due date of the first installment payment of the actual, not preliminary, tax bill). Some boards of assessors may review applications and supporting documentation before tax bills are issued. However, once a tax bill is issued, the organization must file a timely application for the assessors to grant any exemption for which it qualifies.

A religious organization does not have to file an application to establish exempt status for a house of worship or parsonage. If a tax bill is issued, however, it should follow the application procedure explained above in order to establish its eligibility for the exemption.

Filing an application does not stay the collection of taxes. To preserve the right to appeal, the organization must pay at least one-half of the personal property tax it is contesting. For appeals involving real estate with a tax over \$2000, the organization must pay each installment timely without incurring interest or, alternatively, pay an amount equal to the average tax assessed, reduced by abatements, for the preceding three years. If an exemption is granted, a refund will be made.

The assessors have three months (unless extended by written consent of the 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, the application is deemed denied.

Appeals

The Appellate Tax Board (ATB) is a state administrative body that hears appeals from local assessors' decisions on property tax exemptions. There is an alternative appeal to the county commissioners, but assessors may and usually do transfer the appeal to the ATB.

An organization has three months from the date of the assessors' decision on an 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 an appeal if it is not timely filed. ATB decisions may be appealed to the Appeals Court and ultimately, to the Supreme Judicial Court.

*For further information, contact your local board of assessors, or call:
Department of Revenue, Division of Local Services, Property Tax
Bureau*

*617-626-2300
(June 1998)*