



**Commonwealth of Pennsylvania
Senate Finance Committee**

February 4, 2015

**Public Hearing on
Purely Public Charities and Senate Bill 4**

**Written Statement of
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Chair Eichelberger, Minority Chair Blake, and Members of the Committee:

It is an honor to testify today on an issue of great importance to charitable nonprofit organizations throughout the United States. I readily accepted your written invitation to appear today to share insights regarding the law on nonprofit property-tax exemption at the local and state levels. The National Council of Nonprofits actively tracks developments in this area of the law¹ and works closely with our nonprofit state association members to ensure that charitable nonprofits, policymakers, the public, and the news media are fully informed about the impact and consequences of policy changes. The National Council of Nonprofits is the nation's largest network of charitable organizations, and is proud to claim the Pennsylvania Association of Nonprofit Organizations (PANO) as one of our founding members.

Today's hearing is dedicated to exploring issues related to property-tax exemptions for charitable organizations. At the outset, I would like to recommend that all participants engaged in the debate over nonprofit property-tax exemptions read the 2010 article "[All Charities are Property-Tax Exempt, But Some Charities are More Exempt Than Others](#)" by Professor Evelyn Brody.² This law review article summarizes the jurisprudence on property-tax exemption and provides an appendix detailing the constitutional, statutory, and court interpretations from each state.

From this singular work, I suspect that interested parties on all sides of these issues can pull powerful quotes and talking points to support their positions. Which is the primary point I hope to convey here today: The case law, constitutional terminology, and statutory regimes dealing with nonprofit property-tax exemptions are all over the map, both literally and figuratively. The separation of powers question is treated differently in different states, sometimes regarding the same wording. Some states are more proscriptive and others are much less so. The tests for which charitable nonprofits are exempt from property taxes, and which are not, vary from state to state. Because of the vagaries of property tax assessments,

¹ [Taxes, Fees, and PILOTs \(Payments in Lieu of Taxes\)](#), National Council of Nonprofits website.

² *New England Law Review*, New England School of Law (2010).
<http://www.nesl.edu/userfiles/file/lawreview/Vol44/3/Brody.pdf>.

interpretations of individual state laws can actually vary from county to county, and even from assessor to assessor.

Individuals can marvel at the inconsistencies across the country and acknowledge that the *status quo* is more a factor of history and politics than intent and policy. Looked at from the perspective of charitable nonprofits, however, as I have been asked to do here today, the view is less of marvel and more of concern about the consequences, the costs, and the concern about the ongoing ability of charitable nonprofits to serve individuals and communities. What keeps nonprofit executives, employees, and board members awake at night is not knowing when the vagaries of the political process and the whims of individual decision-makers will undermine longstanding practices. Through my remarks today, I intend to provide the committee with as much clarity as possible, with the hope of promoting certainty and discouraging further vagueness.

Issues Addressed

I was invited to testify for the purpose of addressing several questions regarding nonprofit property-tax exemptions in the various states. I will highlight the range of treatments, but start with the two most important commonalities.

- **First, every state exempts the property of charitable nonprofits from taxation.**³ The tests vary by state for determining which types of charitable nonprofits and which parcels of property are eligible for exemption from taxation, but it is important to recognize that state exemption of charitable nonprofits from property taxes is the norm.
- **Second, every state limits the exemption to properties that are both owned by a charitable nonprofit and used for the charitable purpose of the organization.** Ownership by the nonprofit is not enough; the property must be used to advance the mission of the nonprofit. Several states continue to apply the exemption when a nonprofit owner rents the facility to another charitable nonprofit, thus preserving the charitable use requirement.

Authority to Grant and Define Exemptions

The source of authority for exempting the property of charitable nonprofits from taxation falls into three categories. In 18 states, the exemption for charitable nonprofits is mandated in their state constitutions. Twenty-five other state constitutions, including the constitution of Pennsylvania, grant the legislature the authority to exempt nonprofit properties from taxation. Most often, the constitutions of states in this second category express a general rule that all taxes shall be uniformly applied to classes of taxpayers, but instruct the

³ Woods Bowman & Marion R. Fremont-Smith, *Nonprofits and State and Local Governments*, in *Nonprofit and Government: Collaboration and Conflict* 181, 203 (Boris & Steuerle eds., 2d ed. 2006).

legislature to make exceptions for charitable and other organizations.⁴ Seven state constitutions have no provision for taxes or exemptions.⁵

The constitutional question in Pennsylvania that motivates this hearing is not unique to the Commonwealth. Indeed, the above-referenced article, “All Charities are Property-Tax Exempt,” summarizes the fundamental question of who has final say on the exemption – the courts or the legislature – and why it matters:

The reference in some state constitutions to exemption for “institutions of purely public charity” (or some similar phrase) has been interpreted by their state supreme courts as requiring the satisfaction of a multi-factor test. In a few other states, a multi-factor test appears in the statute. These tests create problems for compliance and application, however. The factors are not quantitative and data – such as level of donations – may vary from year to year, raising the possibility of flipping in and out of exemption. Nor do the courts weigh the factors, some of which overlap. Other uncertainties – such as whether the charity’s receipt of government support means the charity is not lessening the burdens of government, or whether the presence of for-profit competitors means the charity should charge lower prices – lead different courts to reach different conclusions. Most importantly, the courts generally describe the factors collectively as suggestive, raising the question of whether any one or more factor is mandatory.⁶

Three states are at the center of the constitutional question of which branch of government determines what is a charity deserving of the property-tax exemption. For comparison purposes and the convenience of Senators on the Committee, I have compiled in **Appendix 1** the relevant constitutional language, the test of the state supreme court, and statutory language for Pennsylvania, Illinois, and Minnesota. Now, I offer the context for the issues with which Illinois and Minnesota wrestled.

The Illinois Constitution permits the General Assembly to exempt from property taxes the property used for “charitable purposes.” That term was interpreted by the Illinois Supreme Court by applying a six-part test.⁷ The legislature subsequently enacted a detailed property-tax statute exempting certain categories based on specific criteria or tests. The tests were not consistent with the standard established by the court. As in the 2012 *Camp Moshava* case in Pennsylvania, the Illinois Supreme Court rejected the claims of tax exemption by a nonprofit. The Illinois court ruled: “It is for the courts, and not for the legislature, to determine whether property in a particular case is used for a constitutionally specific purpose.”⁸

⁴ See, for example Ohio Constitution Article XII, section 2: “Land and improvements thereon shall be taxed by uniform rule according to value... Without limiting the general power, subject to the provisions of Article I of this constitution, to determine the subjects and methods of taxation or exemptions therefrom, general laws may be passed to exempt burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes,”

⁵ “All Charities are Property-Tax Exempt,” at 672.

⁶ *Ibid* at 635.

⁷ *Methodist Old Peoples Home v. Korzen*, 233 N.E.2d, 537 (Ill. 1968).

⁸ *Eden Retirement Center, Inc. v. Department of Revenue*, 821 N.E.2d 240 (Ill. 2004).

In Minnesota, a constitutional crisis arose in 2007 when the Minnesota Supreme Court narrowed the definition of the term “institutions of purely public charity” that had developed in case law since the *North Star* decision.⁹ *North Star* outlined six factors to be considered by assessors in determining whether an organization was an “institution of purely public charity.” Under the *North Star* test, no one factor was determinative over the others and not all had to be satisfied. The 2007 decision in *Under the Rainbow Childcare Center v. Goodhue County*¹⁰ changed this rule and declared that one of the factors must be met in order for an organization to qualify as an institution of purely public charity.

That factor asks whether the recipients of the "charity" are required to pay for the assistance received in whole or in part. The nonprofit community, led by the Minnesota Council of Nonprofits, demonstrated that the decision, if applied broadly, would have significantly undermined the stability of nonprofits in the state as well as the services upon which millions of residents relied. The legislature responded by codifying the six-part *North Star* test. Important to the debate pending in Pennsylvania, the new statute provided clear instructions on how each of the six factors (listed in Appendix 1) was to be weighed:

A charitable organization must satisfy the factors in clauses (1) to (6) for its property to be exempt under this subdivision, unless there is a reasonable justification for failing to meet the factors in clause (2), (3), or (5), and the organization provides to the assessor the factual basis for that justification. If there is reasonable justification for failing to meet the factors in clause (2), (3), or (5), an organization is a purely public charity under this subdivision without meeting those factors. After an exemption is properly granted under this subdivision, it will remain in effect unless there is a material change in facts.¹¹ (Emphasis added)

The Minnesota solution to the challenge of authority to determine property-tax exemption, therefore, was to adopt the Supreme Court’s six-part test virtually verbatim and then provide clarity to nonprofits, tax assessors, and the courts on how those factors are to be weighed in light of the purposes of the longstanding public policy.¹²

Standards for Property Tax Exemptions

Each state has its own set of criteria for determining which charitable nonprofits are eligible for a property-tax exemption. In **Appendix 2**, I have compiled the relevant constitutional and statutory language for each of Pennsylvania’s neighboring states.

The five-part tests in Pennsylvania, whether the *HUP* test or Act 55, incorporate the most common elements for property tax exemptions that exist across the country. Generally, these require that the nonprofit 1) pursue of a charitable purpose; 2) operate free from

⁹ *North Star Research Inst. v. County of Hennepin*, 236 N.W.2d 754 (Minn. 1975).

¹⁰ 741 N.W.2d 880 (2007).

¹¹ MINN. STAT. §272.02(7)(a) (2009).

¹² See also the [Property Tax Exemption Guide](#), developed by the Minnesota Council of Nonprofits to help organizations determine whether they qualify for the exemption.

private profit motive; 3) provide benefits to the public or an indefinite class of persons; 4) donate services free or at reduced costs, and 5) relieve government of some of its burdens.

Some states apply fewer standards. New Jersey, for instance, asks three questions: 1) is the nonprofit organized exclusively for a charitable purpose; 2) is the property actually used for such a charitable purpose; and 3) is the use and operation of the property for nonprofit, as opposed to for profit, purposes. Many states, such as Maryland, apply these first two requirements, and rely on the courts rather than statute to define “charity.”

As noted earlier, Illinois and Minnesota apply six-part tests. Illinois courts add a condition that no obstacles are placed in the way of those seeking benefits. Similarly, in Minnesota, the additional question is whether the beneficiaries of the charity are restricted or unrestricted, and, if restricted, whether the class of persons to whom the charity is made available is one having a reasonable relationship to the charitable objectives.¹³

It is important to note here that while the tests in Pennsylvania, and in particular Act 55, address commonly reviewed criteria, the standard in the Commonwealth is considered by many in the broader nonprofit community to be one of the most restrictive in the United States. Act 55 is certainly the most detailed statute in the country and provides relatively clear criteria for each of the five parts of the test for property-tax exemption. Although I have not sought data to support this proposition, the common presumption within the nonprofit community outside of Pennsylvania is that Act 55 disqualifies far more nonprofits than any other state statute. And for those that do meet the test, the law’s specificity may force nonprofits to alter their operations in order to satisfy the tests rather than focusing on the needs of their communities or the more direct pursuit of their missions.

A case in point is the Community Service standard. Act 55 provides that an “institution must donate or render gratuitously a substantial portion of its services.” This can be satisfied by meeting one of seven separate calculations, many of which are extremely complex. In a changing economic and social environment, the tests potentially cause nonprofits to alter their operations or fail to address immediate needs in order retain the property-tax exemption. Under Act 55, precision and ease of governmental administration is favored over actual services addressing real needs in communities – which is the reason charitable nonprofits exist.

Likewise, the Governmental Service provision is potentially and unnecessarily burdensome. Act 55 requires that “[t]he institution must relieve the government of some of its burden.” The relief of government, while a common criteria in the states, is elevated to a higher level of scrutiny and obligation in Pennsylvania and appears to be more burdensome than elsewhere.

¹³ It is worth noting that Minnesota uses the phrase “institution of purely public charity,” but only as a catchall after listing several specific types of exempt entities: “public burying grounds, public school houses, public hospitals, academies, colleges, universities, all seminaries of learning, all churches, church property, houses of worship, institutions of purely public charity, and public property used exclusively for any public purpose.” Minn. Const. art. X, Sec.1; see Minn. Stat Sec. 272.02(7) (2009).

Of the six alternative ways of satisfying the test, I'll focus on the one requiring nonprofits to be paid less than full costs for the services they provide on behalf of governments. Sadly, government contracting policies and procedures in Pennsylvania almost guarantee that a nonprofit will satisfy this test. Recent data from the Urban Institute show that the failure of governments in the commonwealth to pay the full costs of contracted services is a problem for the nonprofits with government contracts and grants.¹⁴ Particularly problematic is the imposition of arbitrary caps on the reimbursement of nonprofits for their necessary indirect or administrative costs. Underfunding nonprofits, and forcing charitable organizations to subsidize local and state governments, is a significant burden that governments unfairly impose on their nonprofit partners, but not their for-profit partners. And it is one that is not sustainable.¹⁵

Nothing in my comments are intended to suggest that Pennsylvania nonprofits have expressed concerns to me about Act 55 or are seeking revisions. Rather, as an outside observer who tracks the trends and challenges to nonprofit success on a daily basis, I observe that Pennsylvania law is stricter and less open to nonprofit property-tax exemption. In deciding whether to set up shop in the Commonwealth, it is my view that any reasonable nonprofit executive must factor in the heightened risk of paying property taxes, as well as the simmering hostility toward nonprofits exhibited by some in local governments.

Procedures for Granting Exemptions

As a final question, I've been asked to address the process for acquiring a property-tax exemption across the states.

Similar to the issue of what qualifies as tax exempt, there is no uniform process for qualifying for tax exemption. Montana nonprofits need only apply for the tax exemption with the state Department of Revenue for each piece of property, rather than filing at the county level. In Minnesota, nonprofit organizations apply once every three years using a statewide application developed by the Minnesota Department of Revenue.¹⁶ Washington State has a common "Application for Property Tax Exemption" that identifies necessary documentation and includes an intriguing "Exemption Matrix" for determining which criteria apply to the applicant.¹⁷

In Utah each county requires registration and proof of eligibility for the exemption. Similarly, the process reportedly varies from county to county in North Carolina, depending upon how much proof each county requires that the nonprofit meet to satisfy the statutory requirements for property tax exemption. Colleagues in Connecticut report that the process for acknowledging the exemption is different for every town or city; some jurisdictions

¹⁴ [National Study of Nonprofit-Government Contracts and Grants: Pennsylvania Profile](#), Urban Institute (2014) (documenting, among other problems, that governments in Pennsylvania are the fourth worst in the country in terms of paying nonprofits later than under the contracted terms and fourteenth worst for not paying the full cost of what it takes to perform the contracted services).

¹⁵ See [Toward Common Sense Contracting: What Taxpayers Deserve](#); National Council of Nonprofits (May 2014); [Investing for Impact: Indirect Costs Are Essential for Success](#), National Council of Nonprofits (September 2013).

¹⁶ Institution of Purely Public Charity Property Tax Exemption Application, Form CR-IPPC, Minn. Dept. of Rev.

¹⁷ Washington Department of Revenue [Form REV 63 0001](#) (11/27/12).

provide a blanket exemption, while in others a charitable nonprofit must apply to the city/town for an exemption.

West Virginia seeks to provide some consistency by mandating in statute that “Real property which is exempt from taxation by subsection (a) of this section shall be entered upon the assessor’s books, together with the true and actual value thereof, but no taxes may be levied upon the property or extended upon the assessor’s books.” The law further provides that the “Tax Commissioner shall, by issuance of rules, provide each assessor with guidelines to ensure uniform assessment practices statewide to effect the intent of this section.”¹⁸

In conclusion, I thank the Committee for this opportunity to review the law on nonprofit property-tax exemptions across the country, as well as the experiences of my nonprofit colleagues. I stand ready to answer your questions and look forward to participating in this important discussion.

The National Council of Nonprofits is a trusted resource and advocate for America’s charitable nonprofits. Through our powerful network of State Associations and 25,000-plus members – the nation’s largest network of nonprofits – we serve as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country. We identify emerging trends, share proven practices, and promote solutions that benefit charitable nonprofits and the communities they serve. Learn more at www.CouncilofNonprofits.org.

¹⁸ W. VA. CODE ANN. § 11-3-9(c) and (e).

APPENDIX 1

Authority to Grant and Define Exemptions

Text and summaries of three state constitutions, Supreme Court tests, and statutory language.

Pennsylvania Constitution Article VIII: TAXATION AND FINANCE	
Exemptions and Special Provisions Section 2. (a) The General Assembly may by law exempt from taxation: (v) Institutions of purely public charity , but in the case of any real property tax exemptions only that portion of real property of such institution which is actually and regularly used for the purposes of the institution.	
Pennsylvania Supreme Court Standards (HUP)	Statutory Standards (Act 55)
a) “Advances a charitable purpose; b) Donates or renders gratuitously a substantial portion of its services; c) Benefits a substantial and indefinite class of persons who are legitimate subjects of charity; d) Relieves the government of some of its burden; and e) Operates entirely free from private profit motive.”	a) General Rule: entities meeting b) through f) “shall be considered to be funded, endowed and maintained by public or private charity.” b) Charitable Purpose (defined); c) Private Profit Motive (defined); d) Community Service (defined); e) Charity to Persons (defined); f) Government Service (“relieve the government of some of its burden” (defined);
- <i>Hosp. Utilization Project v. Commonwealth</i> , 507 Pa. 7, 22, 487 A.2d 1306 (1985).	- The Institution of Purely Public Charity Act 55, §5, 10 P.S. §375 (1997).

Illinois Constitution Article IX: REVENUE	
Section 6. EXEMPTIONS FROM PROPERTY TAXATION The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes . The General Assembly by law may grant homestead exemptions or rent credits.	
Methodist Old Peoples Home Test	Statutory Test
a) the benefits extend to an indefinite number of persons for their general welfare or in some way reduce the burdens on government;	All property of the following is exempt when actually and exclusively used for charitable or beneficent purposes, and not leased or otherwise used with a view to profit: a) Institutions of public charity.

<ul style="list-style-type: none"> b) the organization have no capital, capital stock, or shareholders, and does not profit from the enterprise; c) funds derive mainly from private and public charity, and are held in trust for the objects and purposes expressed in the organization's charter; d) charity is dispensed to all who need and apply for it; e) no obstacles are placed in the way of those seeking the benefits; and a) the exclusive (i.e., primary) use of the property is for charitable purposes. 	<p>NOTE: Illinois Public Act 097-0688 created new Section 200/15-86 which imposes a special test for nonprofit hospitals.</p>
<p>- <i>Methodist Old Peoples Home v Korzen</i>, 39 Ill 2d 149, 157, 233 NE2d 537, 542 (1968).</p>	<p>- 35 Ill. Comp. Statutes 200/15-65.</p>

<h2>Minnesota Constitution</h2>	
<h3>Article X: TAXATION</h3>	
<p>Section 1. Power of taxation; exemptions; legislative powers. ... "Taxes shall be uniform upon the same class of subjects and shall be levied and collected for public purposes, but public burying grounds, public school houses, public hospitals, academies, colleges, universities, all seminaries of learning, all churches, church property, houses of worship, institutions of purely public charity, and public property used exclusively for any public purpose, shall be exempt from taxation except as provided in this section. ..."</p>	
<h4>North Star Six-Part Test</h4>	<h4>Statutory Test</h4>
<ul style="list-style-type: none"> a) whether the stated purpose of the undertaking is to be helpful to others without immediate expectation of material reward; b) whether the entity involved is supported by donations and gifts in whole or in part; c) whether the recipients of the "charity" are required to pay for the assistance received in whole or in part; d) whether the income received from gifts and donations and charges to users produces a profit to the charitable institution; e) whether the beneficiaries of the "charity" are restricted or unrestricted and, if restricted, whether the class of persons to whom the charity is made available is one having a reasonable relationship to the charitable objectives; 	<p>Factors for consideration:</p> <ul style="list-style-type: none"> a) whether the stated purpose of the undertaking is to be helpful to others without immediate expectation of material reward; b) whether the institution of public charity is supported by material donations, gifts, or government grants for services to the public in whole or in part; c) whether a material number of the recipients of the charity receive benefits or services at reduced or no cost, or whether the organization provides services to the public that alleviate burdens or responsibilities that would otherwise be borne by the government; d) whether the income received, including material gifts and donations, produces a profit to the charitable institution that is not distributed to private interests;

<p>f) whether dividends, in form or substance, or assets upon dissolution are available to private interests.</p>	<p>e) whether the beneficiaries of the charity are restricted or unrestricted, and, if restricted, whether the class of persons to whom the charity is made available is one having a reasonable relationship to the charitable objectives; and</p> <p>f) whether dividends, in form or substance, or assets upon dissolution, are not available to private interests.</p> <p>A charitable organization must satisfy the factors in clauses (1) to (6) for its property to be exempt under this subdivision, unless there is a reasonable justification for failing to meet the factors in clause (2), (3), or (5), and the organization provides to the assessor the factual basis for that justification. If there is reasonable justification for failing to meet the factors in clause (2), (3), or (5), an organization is a purely public charity under this subdivision without meeting those factors. After an exemption is properly granted under this subdivision, it will remain in effect unless there is a material change in facts. (Emphasis added)</p>
<p>- <i>North Star Research Inst. v. County of Hennepin</i>, 236 N.W.2d 754, 757 (Minn. 1975)</p>	<p>- MINN. STAT. §272.02(7)(a) (2009).</p>

APPENDIX 2

Nonprofit Property-Tax Exemption Laws of Neighboring States

Selected State Constitutional and Statutory Language

Delaware

Article VIII: REVENUE AND TAXATION

§ 1. Uniformity of taxes; collection under general laws; exemption for public welfare purposes.

All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, except as otherwise permitted herein, and shall be levied and collected under general laws passed by the General Assembly. County Councils of New Castle and Sussex Counties and the Levy Court of Kent County are hereby authorized to exempt from county taxation such property in their respective counties as in their opinion will best **promote the public welfare**.

Del. Code Ann. Title 9, § 8105 Property owned by governmental, religious, educational or charitable agency.

Property belonging to ... any church or religious society, and not held by way of investment, or any college or school and used for educational or school purposes, except as otherwise provided, shall not be liable to taxation and assessment for public purposes by any county or other political subdivision of this State. ... Corporations created for charitable purposes and not held by way of investment that are in existence on July 14, 1988, together with existing and future charitable affiliates of such corporations that are also not held by way of investment, shall not be liable to taxation and assessment for public purposes by any county, municipality or other political subdivision of this State.

Maryland

No constitutional provision

MD. CODE ANN., TAX-PROP. § 7-202

b. 1. Except as provided in subsection (c) of this section, property is not subject to property tax if the property:

i. is necessary for and actually used exclusively for a charitable or educational purpose to promote the general welfare of the people of the State, including an activity or an athletic program of an educational institution; and

ii. is owned by:

1. a nonprofit hospital;
2. a nonprofit charitable, fraternal, educational, or literary organization including:
 - A. a public library that is authorized under Title 23 of the Education Article; and
 - B. a men's or women's club that is a nonpolitical and nonstock club;
3. a corporation, limited liability company, or trustee that holds the property for the sole benefit of an organization that qualifies for an exemption under this section; or
4. a nonprofit housing corporation.

c. 1. Except for a nonprofit hospital, not more than 100 acres of real property owned by an exempt organization and appurtenant to the premises of the exempt organization is exempt from property tax, if the property is located outside of a municipal corporation or Baltimore City.

2. Not more than 100 acres of real property of a nonprofit hospital that is appurtenant to the hospital is exempt from property tax.

See generally Sections 7-201 through 7-307.

New Jersey

Article VIII TAXATION AND FINANCE

Section 1, paragraph 2:

Exemptions from taxation may be altered or repealed, except those exempting real and personal property used exclusively for religious, educational, **charitable** or cemetery **purposes, as defined by law**, and owned by any corporation or association organized and conducted exclusively for one or more of such purposes and not operating for profit.

N.J. Stat. Ann. 54:4-3.6.

The following property shall be exempt from taxation under this chapter: ... all buildings actually used in the work of associations and corporations organized exclusively for religious purposes, including religious worship, or charitable purposes, provided that if any portion of a building used for that purpose is leased to a profit-making organization or is otherwise used for purposes which are not themselves exempt from taxation, that portion shall be subject to taxation and the remaining portion shall be exempt from taxation, and provided further that if any portion of a building is used for a different exempt use by an exempt entity, that portion shall also be exempt from taxation ...

New York

Article XVI TAXATION

Section 1. ... Exemptions from taxation may be granted only by general laws. Exemptions may be altered or repealed except those exempting real or personal property used exclusively for religious, educational or **charitable purposes as defined by law** and owned by any corporation or association organized or conducted exclusively for one or more of such purposes and not operating for profit.

§ 420-a. Nonprofit organizations; mandatory class. 1. (a) Real property owned by a corporation or association organized or conducted exclusively for religious, charitable, hospital, educational, or moral or mental improvement of men, women or children purposes, or for two or more such purposes, and used exclusively for carrying out thereupon one or more of such purposes either by the owning corporation or association or by another such corporation or association as hereinafter provided shall be exempt from taxation as provided in this section.

(b) Real property such as specified in paragraph (a) of this subdivision shall not be exempt if any officer, member or employee of the owning corporation or association shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes, or as proper beneficiaries of its strictly charitable purposes; or if the organization thereof for any such avowed purposes be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association or for any of its members or employees; or if it be not in good faith organized or conducted exclusively for one or more of such purposes.

Ohio

Article XII FINANCE AND TAXATION

Section 2. Limitation on tax rate; exemption.

... Land and improvements thereon shall be taxed by uniform rule according to value, ... Without limiting the general power, subject to the provisions of Article I of this constitution, to determine the subjects and methods of taxation or exemptions therefrom, general laws may be passed to exempt burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, and public property used exclusively for any public purpose, but all such laws shall be subject to alteration or repeal; and the value of all property so exempted shall, from time to time, be ascertained and published as may be directed by law.

5709.12 Exemption of property used for public or charitable purposes.

(B) ... Real and tangible personal property belonging to institutions that is used exclusively for charitable purposes shall be exempt from taxation....

5709.121 [Effective 3/23/2015] Exclusive charitable or public purposes defined.

(A) Real property and tangible personal property belonging to a charitable or educational institution or to the state or a political subdivision, shall be considered as used exclusively for charitable or public purposes by such institution, the state, or political subdivision, if it meets one of the following requirements:

(1) It is used by such institution, the state, or political subdivision, or by one or more other such institutions, the state, or political subdivisions under a lease, sublease, or other contractual arrangement:

(a) As a community or area center in which presentations in music, dramatics, the arts, and related fields are made in order to foster public interest and education therein;

(b) For other charitable, educational, or public purposes.

(2) It is made available under the direction or control of such institution, the state, or political subdivision for use in furtherance of or incidental to its charitable, educational, or public purposes and not with the view to profit.

(3) It is used by an organization described in division (D) of section 5709.12 of the Revised Code. If the organization is a corporation that receives a grant under the Thomas Alva Edison grant program authorized by division (C) of section 122.33 of the Revised Code at any time during the tax year, "used," for the purposes of this division, includes holding property for lease or resale to others.

West Virginia

Article X TAXATION

Section 2. Limitation on tax rate; exemption.

No one species of property from which a tax may be collected shall be taxed higher than any other species of property of equal value; ... but property used for educational, literary, scientific, religious or charitable purposes ... shall be exempted from taxation.

§11-3-9. Property exempt from taxation.

(a) All property, real and personal, described in this subsection, and to the extent limited by this section, is exempt from taxation:

(12) Property used for charitable purposes and not held or leased out for profit;

(d) Notwithstanding any other provisions of this section, this section does not exempt from taxation any property owned by, or held in trust for, educational, literary, scientific, religious or other charitable corporations or organizations, including any public or private nonprofit foundation or corporation existing for the support of any college or university located in West Virginia, unless such property, or the dividends, interest, rents or royalties derived therefrom, is used primarily and immediately for the purposes of the corporations or organizations.