

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 **all** 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. The latest date the filing deadline can be extended is 30 days after the mailing of the tax bills for the fiscal year.

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 \$3,000, 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
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Property Tax Bureau

Taxpayer's Guide to Property Tax Exemptions in Massachusetts

Religious and Charitable Organizations

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