

**ASSEMBLY BILL**

**No. 975**

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**Introduced by Assembly Members Wieckowski and Bonta**

February 22, 2013

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An act to amend Sections 127280, 127400, and 129050 of, to add Chapter 2.6 (commencing with Section 127470) to Part 2 of Division 107 of, and to repeal Article 2 (commencing with Section 127340) of Chapter 2 of Part 2 of Division 107 of, the Health and Safety Code, and to amend Sections 214, 214.9, and 23701d of the Revenue and Taxation Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 975, as introduced, Wieckowski. Health facilities community benefits.

Existing law makes certain findings and declarations regarding the social obligation of private nonprofit hospitals to provide community benefits in the public interest, and requires these hospitals, among other responsibilities, to adopt and update a community benefits plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements. Existing law requires each private nonprofit hospital, as defined, to complete a community needs assessment, as defined, and to thereafter update the community needs assessment at least once every 3 years. Existing law also requires the hospital to file a report on its community benefits plan and the activities undertaken to address community needs with the Office of Statewide Health Planning and Development. Existing law requires the statewide office to make the plans available to the public. Existing law requires that each hospital include in its community benefits plan measurable objectives and specific benefits.

This bill would declare the necessity of establishing uniform standards for reporting the amount of charity care and community benefits a facility provides to ensure that private nonprofit hospitals and nonprofit multispecialty clinics actually meet the social obligations for which they receive favorable tax treatment, among other findings and declarations.

This bill would require a private nonprofit hospital and nonprofit multispecialty clinic, as defined, by January 1, 2015, to develop, in collaboration with the community, a community benefits statement, as specified, and a description of the process for approval of the community benefits statement by the hospital's or clinic's governing board, as specified. This bill would require the hospital or clinic, prior to adopting a community benefits plan, to complete a community needs assessment, as provided. The bill would authorize the hospital or clinic to create a community benefits advisory committee for the purpose of soliciting community input. This bill would require the hospital or clinic to make available to the public a copy of the assessment, file the assessment with the Office of Statewide Health Planning and Development, and update the assessment at least every 3 years.

This bill would also require a private nonprofit hospital and nonprofit multispecialty clinic, by April 1, 2015, to develop a community benefits plan that includes a summary of the needs assessment and a statement of the community health care needs that will be addressed by the plan, and list the services, as provided, that the hospital or clinic intends to provide in the following year to address community health needs identified in the community health needs assessments. The bill would require the hospital or clinic to make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site and would require that a copy of the assessment and plan be given free of charge to any person upon request.

This bill would require a private nonprofit hospital or nonprofit multispecialty clinic, after April 1, 2015, every 2 years to revise and submit its community benefits plan to the Office of Statewide Health Planning and Development, as specified, and would allow a hospital or clinic under the common control of a single corporation or other entity to file a consolidated plan, as provided. The bill would require that the governing board of each hospital or clinic adopt the community benefits plan and make it available to the public, as specified.

This bill would require the Office of Statewide Health Planning and Development to develop and adopt regulations to prescribe a standardized format for community benefits plans, as provided, to provide technical assistance to help private nonprofit hospitals and nonprofit multispecialty clinics exempt from licensure comply with the community benefits provisions, to make public each community health needs assessment and community benefits plan and any comments received regarding those assessments and plans, and to annually calculate and make public the total value of community benefits provided by hospitals. This bill would authorize the Office of Statewide Health Planning and Development to assess a civil penalty, as provided, against any hospital or clinic that fails to comply with these provisions. This bill would make conforming changes.

Existing property tax law provides, pursuant to the Legislature's exercise of its exemption authority set forth in the California Constitution, for a "welfare exemption" from taxation for property that is used exclusively for religious, hospital, or charitable purposes, if certain conditions are met, including if the owner is not organized or operated for profit. Existing law provides that a hospital is not deemed to be organized or operated for profit if, during the immediately preceding fiscal year, operating revenues did not exceed operating expenses by an amount equivalent to 10% of those operating expenses. Existing law provides that a hospital includes a nonprofit multispecialty clinic so long as the clinic does not reduce the level of charitable or subsidized activities it provides as a proportion of its total activities.

This bill would, for lien years occurring on and after January 1, 2015, instead provide that a hospital is not deemed to be organized or operated for profit if, during the immediately preceding fiscal year, it provided charity care, as defined, in an amount equal to at least 8% of its operating margin calculated in accordance with generally accepted accounting principles for hospitals, as specified. This bill would also, for lien years occurring on and after January 1, 2015, instead provide that a hospital includes a nonprofit multispecialty clinic so long as the clinic, during the immediately preceding fiscal year, provided charity care, as defined, in an amount equal to at least 5% of its net revenues, as specified. This bill would impose new duties on the Office of Statewide Health Planning and Development and the State Board of Equalization with respect to reports this bill would require a hospital or nonprofit multispecialty clinic to make for purposes of the welfare exemption.

By changing the manner in which property tax assessments are administered by county assessors, this bill would impose a state-mandated local program.

The Corporation Tax Law, in modified conformity with federal income tax laws, exempts various types of organizations from taxes imposed by that law.

This bill would, for taxable years beginning on and after January 1, 2015, require a nonprofit hospital, as defined, and a nonprofit multispecialty clinic, as defined, to meet additional requirements in order to be an organization exempt from those taxes. This bill would impose new duties on the Office of Statewide Health Planning and Development and the State Board of Equalization with respect to reports this bill would require a hospital or nonprofit multispecialty clinic to make for purposes of that exemption.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 127280 of the Health and Safety Code
- 2 is amended to read:
- 3 127280. (a) Every health facility licensed pursuant to Chapter
- 4 2 (commencing with Section ~~1250~~ 1200) of Division 2, except a
- 5 health facility owned and operated by the state, shall each year be
- 6 charged a fee established by the office consistent with the
- 7 requirements of this section.
- 8 (b) Commencing in calendar year 2004, every freestanding
- 9 ambulatory surgery clinic, as defined in Section 128700, shall each

1 year be charged a fee established by the office consistent with the  
2 requirements of this section.

3 (c) The fee structure shall be established each year by the office  
4 to produce revenues equal to the appropriation made in the annual  
5 Budget Act or another statute to pay for the functions required to  
6 be performed by the office pursuant to this chapter, ~~Article 2~~  
7 ~~(commencing with Section 127340) of Chapter 2, Chapter 2.6~~  
8 ~~(commencing with Section 127470), or Chapter 1 (commencing~~  
9 ~~with Section 128675) of Part 5, and to pay for any other~~  
10 health-related programs administered by the office. The fee shall  
11 be due on July 1 and delinquent on July 31 of year.

12 (d) The fee for a health facility that is not a hospital, as defined  
13 in subdivision (c) of Section 128700, shall be not more than 0.035  
14 percent of the gross operating cost of the facility for the provision  
15 of health care services for its last fiscal year that ended on or before  
16 June 30 of the preceding calendar year.

17 (e) The fee for a hospital, as defined in subdivision (c) of Section  
18 128700, shall be not more than 0.035 percent of the gross operating  
19 cost of the facility for the provision of health care services for its  
20 last fiscal year that ended on or before June 30 of the preceding  
21 calendar year.

22 (f) ~~(1)~~ The fee for a freestanding ambulatory surgery clinic  
23 shall be established at an amount equal to the number of  
24 ambulatory surgery data records submitted to the office pursuant  
25 to Section 128737 for encounters in the preceding calendar year  
26 multiplied by not more than fifty cents (\$0.50).

27 ~~(2) (A) For the calendar year 2004 only, a freestanding~~  
28 ~~ambulatory surgery clinic shall estimate the number of records it~~  
29 ~~will file pursuant to Section 128737 for the calendar year 2004~~  
30 ~~and shall report that number to the office by March 12, 2004. The~~  
31 ~~estimate shall be as accurate as possible. The fee in the calendar~~  
32 ~~year 2004 shall be established initially at an amount equal to the~~  
33 ~~estimated number of records reported multiplied by fifty cents~~  
34 ~~(\$0.50) and shall be due on July 1 and delinquent on July 31, 2004.~~

35 ~~(B) The office shall compare the actual number of records filed~~  
36 ~~by freestanding clinic for the calendar year 2004 pursuant to~~  
37 ~~Section 128737 with the estimated number of records reported~~  
38 ~~pursuant to subparagraph (A). If the actual number reported is less~~  
39 ~~than the estimated number reported, the office shall reduce the fee~~  
40 ~~of the clinic for calendar year 2005 by the amount of the difference~~

1 multiplied by fifty cents (\$.50). If the actual number reported  
2 exceeds the estimated number reported, the office shall increase  
3 the fee of the clinic for calendar year 2005 by the amount of the  
4 difference multiplied by fifty cents (\$.50) unless the actual number  
5 reported is greater than 120 percent of the estimated number  
6 reported, in which case the office shall increase the fee of the clinic  
7 for calendar year 2005 by the amount of the difference, up to and  
8 including 120 percent of the estimated number, multiplied by fifty  
9 cents (\$.50), and by the amount of the difference in excess of 120  
10 percent of the estimated number multiplied by one dollar (\$1).

11 (g) There is hereby established the California Health Data and  
12 Planning Fund within the office for the purpose of receiving and  
13 expending fee revenues collected pursuant to this chapter.

14 (h) Any amounts raised by the collection of the special fees  
15 provided for by subdivisions (d), (e), and (f) that are not required  
16 to meet appropriations in the Budget Act for the current fiscal year  
17 shall remain in the California Health Data and Planning Fund and  
18 shall be available to the office in succeeding years when  
19 appropriated by the Legislature in the annual Budget Act or another  
20 statute, for expenditure under the provisions of this chapter, ~~Article~~  
21 ~~2 (commencing with Section 127340) of Chapter 2, Chapter 2.6~~  
22 ~~(commencing with Section 127470), and Chapter 1 (commencing~~  
23 ~~with Section 128675) of Part 5, or for any other health-related~~  
24 ~~programs administered by the office, and shall reduce the amount~~  
25 ~~of the special fees that the office is authorized to establish and~~  
26 ~~charge.~~

27 (i) (1) No health facility liable for the payment of fees required  
28 by this section shall be issued a license or have an existing license  
29 renewed unless the fees are paid. A new, previously unlicensed,  
30 health facility shall be charged a pro rata fee to be established by  
31 the office during the first year of operation.

32 (2) The license of any health facility, against which the fees  
33 required by this section are charged, shall be revoked, after notice  
34 and hearing, if it is determined by the office that the fees required  
35 were not paid within the time prescribed by subdivision (c).

36 ~~(j) This section shall become operative on January 1, 2002.~~

37 SEC. 2. Article 2 (commencing with Section 127340) of  
38 Chapter 2 of Part 2 of Division 107 of the Health and Safety Code  
39 is repealed.

1 SEC. 3. Section 127400 of the Health and Safety Code is  
2 amended to read:

3 127400. ~~As used in this article, the following terms have the~~  
4 ~~following meanings:~~ *The following definitions apply for the*  
5 *purposes of this article:*

6 (a) “Allowance for financially qualified patient” means, with  
7 respect to services rendered to a financially qualified patient, an  
8 allowance that is applied after the hospital’s charges are imposed  
9 on the patient, due to the patient’s determined financial inability  
10 to pay the charges.

11 (b) (1) “Charity care” means *the unreimbursed cost to a private*  
12 *nonprofit hospital or nonprofit multispecialty clinic of providing*  
13 *services to the uninsured, underinsured, and those eligible for*  
14 *Medi-Cal, Medicare, the California Children’s Services Program,*  
15 *or county indigent programs, as well as providing funding or*  
16 *otherwise financially supporting any of the following:*

17 (A) *Health care services or items on an inpatient or outpatient*  
18 *basis to a financially qualified patient with no expectation of*  
19 *payment.*

20 (B) *Health care services or items provided to a financially*  
21 *qualified patient through other nonprofit or public outpatient*  
22 *clinics, hospitals, or health care organizations with no expectation*  
23 *of payment.*

24 (C) *Community benefits, provided that the provision, funding,*  
25 *or financial support of those benefits is demonstrated to reduce*  
26 *community health care costs. For purposes of this subparagraph,*  
27 *“community benefits” means any of the following: vaccination*  
28 *programs and services for low-income families, chronic illness*  
29 *prevention programs and services, nursing and caregiver training*  
30 *provided without assessment of fees or payment of tuition,*  
31 *home-based health care programs for low-income families, or*  
32 *community-based mental health and outreach and assessment*  
33 *programs for low-income families. For purposes of this*  
34 *subparagraph, “low-income families” means families or*  
35 *individuals with income less than or equal to 350 percent of the*  
36 *federal poverty level.*

37 (2) *Charity care does not include any of the following:*

38 (A) *Uncollected fees or accounts written off as bad debt.*

1 (B) Care provided to patients for which a public program or  
 2 public or private grant funds pay for any of the charges for the  
 3 care.

4 (C) Care for which partial payment was received from any  
 5 source.

6 (D) Contractual adjustments in the provision of health care  
 7 services below the amount identified as gross charges or  
 8 “chargemaster” rates by the health care provider.

9 (E) Any amount over 125 percent of the Medicare rate for the  
 10 health care services or items provided on an inpatient or outpatient  
 11 basis.

12 (F) Any amount over 125 percent of the Medicare rate for  
 13 providing, funding, or otherwise financially supporting health care  
 14 services or items with no expectation of payment provided to  
 15 financially qualified patients through other nonprofit or public  
 16 outpatient clinics, hospitals, or health care organizations.

17 (G) The cost to a nonprofit hospital of paying a tax or other  
 18 governmental assessment.

19 ~~(b)~~

20 (c) “Federal poverty level” means the poverty guidelines updated  
 21 periodically in the Federal Register by the United States  
 22 Department of Health and Human Services under authority of  
 23 subsection (2) of Section 9902 of Title 42 of the United States  
 24 Code.

25 ~~(e)~~

26 (d) “Financially qualified patient” means a patient who is both  
 27 of the following:

28 (1) A patient who is a self-pay patient, as defined in subdivision  
 29 ~~(f)~~ (g) or a patient with high medical costs, as defined in  
 30 subdivision ~~(g)~~ (h).

31 (2) A patient who has a family income that does not exceed 350  
 32 percent of the federal poverty level.

33 ~~(d)~~

34 (e) “Hospital” means a facility that is required to be licensed  
 35 under subdivision (a), (b), or (f) of Section 1250, except a facility  
 36 operated by the State Department of State Hospitals or the  
 37 Department of Corrections and Rehabilitation.

38 ~~(e)~~

39 (f) “Office” means the Office of Statewide Health Planning and  
 40 Development.

1     ~~(f)~~  
2     (g) “Self-pay patient” means a patient who does not have  
3 third-party coverage from a health insurer, health care service plan,  
4 Medicare, or Medicaid, and whose injury is not a compensable  
5 injury for purposes of workers’ compensation, automobile  
6 insurance, or other insurance as determined and documented by  
7 the hospital. Self-pay patients may include charity care patients.

8     ~~(g)~~  
9     (h) “A patient with high medical costs” means a person whose  
10 family income does not exceed 350 percent of the federal poverty  
11 level, as defined in subdivision-~~(b)~~, (c), if that individual does not  
12 receive a discounted rate from the hospital as a result of his or her  
13 third-party coverage. For these purposes, “high medical costs”  
14 means any of the following:

15     (1) Annual out-of-pocket costs incurred by the individual at the  
16 hospital that exceed 10 percent of the patient’s family income in  
17 the prior 12 months.

18     (2) Annual out-of-pocket expenses that exceed 10 percent of  
19 the patient’s family income, if the patient provides documentation  
20 of the patient’s medical expenses paid by the patient or the patient’s  
21 family in the prior 12 months.

22     (3) A lower level determined by the hospital in accordance with  
23 the hospital’s charity care policy.

24     ~~(h)~~  
25     (i) “Patient’s family” means the following:

26     (1) For persons 18 years of age and older, spouse, domestic  
27 partner, as defined in Section 297 of the Family Code, and  
28 dependent children under 21 years of age, whether living at home  
29 or not.

30     (2) For persons under 18 years of age, parent, caretaker relatives,  
31 and other children under 21 years of age of the parent or caretaker  
32 relative.

33     SEC. 4. Chapter 2.6 (commencing with Section 127470) is  
34 added to Part 2 of Division 107 of the Health and Safety Code, to  
35 read:

CHAPTER 2.6. COMMUNITY BENEFITS

Article 1. Hospital Community Benefits

127470. (a) The Legislature finds and declares the following:  
(1) Access to health care services is of vital concern to the people of California.

(2) Health care providers play an important role in providing essential health care services in the communities they serve.

(3) Notwithstanding public and private efforts to increase access to health care, the people of California continue to have significant unmet health needs. Studies indicate that as many as 6.9 million Californians are uninsured during a year.

(4) The state has a substantial interest in ensuring that the unmet health needs of its residents are addressed. Health care providers can help address these needs by providing charity care and community benefits to the uninsured and underinsured members of their communities.

(5) Hospitals have different roles in the community depending on their mission, governance, tax status, and articles of incorporation. Private hospitals that are investor owned and have for-profit tax status pay property taxes, corporate income taxes, and other taxes, such as unemployment insurance, on a different basis than nonprofit, district, or public hospitals. Nonprofit health facilities, including hospitals and multispecialty clinics, as described in subdivision (l) of Section 1206, receive favorable tax treatment by the government and, in exchange, assume a social obligation to provide charity care and other community benefits in the public interest.

(b) It is the intent of the Legislature in enacting this chapter to provide uniform standards for reporting the amount of charity care and community benefits provided to ensure that private nonprofit hospitals and multispecialty clinics operated by nonprofit corporations, as described in subdivision (l) of Section 1206, actually meet the social obligations for which they receive favorable tax treatment.

127472. The following definitions apply for the purposes of this chapter:

- 1 (a) “Community” means the service area or patient population  
2 for which a private nonprofit hospital or nonprofit multispecialty  
3 clinic provides health care services.
- 4 (b) “Community benefits” means the unreimbursed goods,  
5 services, and resources provided by a private nonprofit hospital  
6 or nonprofit multispecialty clinic that addresses  
7 community-identified health needs and concerns, particularly for  
8 people who are uninsured, underserved, or members of a vulnerable  
9 population. Community benefits include, but are not limited to,  
10 charity care, as defined in Section 127400, the cost of community  
11 health improvement services and community benefit operations,  
12 and the cost of health professions education, subsidized health  
13 services for vulnerable populations, research, contributions to  
14 community groups, and community building activities.
- 15 (c) “Community benefits plan” means the written document  
16 prepared for annual submission to the office that includes, but is  
17 not limited to, a description of the activities that the private  
18 nonprofit hospital or nonprofit multispecialty clinic has undertaken  
19 to address identified community needs within its mission and  
20 financial capacity, and the process by which the hospital or clinic  
21 develops the plan in consultation with the community.
- 22 (d) “Community health needs assessment” means the process  
23 by which the private nonprofit hospital or nonprofit multispecialty  
24 clinic identifies, for its primary service area as determined by the  
25 hospital or clinic, unmet community needs.
- 26 (e) “Discounted care” means the cost for medical care provided  
27 consistent with Article 1 (commencing with Section 127400) of  
28 Chapter 2.5.
- 29 (f) “Free care” means the unreimbursed cost for medical care  
30 for a patient who cannot afford to pay for care provided consistent  
31 with Article 1 (commencing with Section 127400) of Chapter 2.5.
- 32 (g) “Nonprofit multispecialty clinic” means a clinic as described  
33 in subdivision (l) of Section 1206.
- 34 (h) “Office” means the Office of Statewide Health Planning and  
35 Development.
- 36 (i) “Private nonprofit hospital” means a private nonprofit acute  
37 care hospital operated or controlled by a nonprofit corporation, as  
38 defined in Section 5046 of the Corporations Code, that has been  
39 determined to be exempt from taxation under the Internal Revenue

1 Code. For purposes of this chapter, “private nonprofit hospital”  
2 does not include any of the following:

3 (1) A district hospital organized and governed pursuant to the  
4 Local Health Care District Law (Division 23 (commencing with  
5 Section 32000)).

6 (2) A rural general acute care hospital, as defined in subdivision  
7 (a) of Section 1250.

8 (j) “Underserved and vulnerable population” means a population  
9 that has disproportionate unmet health-related needs, such as a  
10 high prevalence of one or more health conditions or concerns, and  
11 that has limited access to timely, quality health care.

12 127473. A private nonprofit hospital or a nonprofit  
13 multispecialty clinic that reports community benefits to the  
14 community shall report on those community benefits in a consistent  
15 and comparable manner to all other private nonprofit hospitals and  
16 nonprofit multispecialty clinics.

17 127474. A private nonprofit hospital or a nonprofit  
18 multispecialty clinic shall make its community health needs  
19 assessment and community benefits plan or community health  
20 plan available to the public on its Internet Web site. A copy of the  
21 assessment and plan shall be given free of charge to any person  
22 upon request.

23

24 Article 2. Community Benefits Statement, Community Needs  
25 Assessment, and Community Benefits Plan

26

27 127475. (a) Private nonprofit hospitals and nonprofit  
28 multispecialty clinics shall provide community benefits to the  
29 community.

30 (b) By January 1, 2015, each private nonprofit hospital and each  
31 nonprofit multispecialty clinic shall develop, in collaboration with  
32 the community, all of the following:

33 (1) A community benefits statement that describes the hospital’s  
34 or clinic’s commitment to developing, adopting, and implementing  
35 a community benefits program. The hospital’s or clinic’s governing  
36 board shall document that it has reviewed the clinic’s  
37 organizational mission statement and considered amendments to  
38 it that would better align that organizational mission statement  
39 with the community benefits statement.

1 (2) A description of the process for approval of the community  
2 benefits statement by the hospital's or clinic's governing board,  
3 including a declaration that the board and administrators of the  
4 hospital or clinic shall be responsible for oversight and  
5 implementation of the community benefits plan. The board may  
6 establish a community benefits implementation committee that  
7 shall include members of the board, senior administrators, and  
8 community stakeholders.

9 (3) A community health needs assessment pursuant to Section  
10 127476 that evaluates the health needs and resources of the  
11 community it serves.

12 (c) By April 1, 2015, a private nonprofit hospital or nonprofit  
13 multispecialty clinic shall develop, in collaboration with the  
14 community, a community benefits plan pursuant to Section 127477  
15 designed to achieve all of the following outcomes:

16 (1) Access to health care for members of underserved and  
17 vulnerable populations.

18 (2) The addressing of essential health care needs of the  
19 community, with particular attention to the needs of members of  
20 underserved and vulnerable populations.

21 (3) The creation of measurable improvements in the health of  
22 the community, with particular attention to the needs of members  
23 of underserved and vulnerable populations.

24 127476. (a) Prior to adopting a community benefits plan, a  
25 private nonprofit hospital or nonprofit multispecialty clinic shall  
26 complete a community needs assessment that evaluates the health  
27 needs and resources of the community served by the hospital or  
28 clinic that is designed to achieve the outcomes specified in  
29 subdivision (c) of Section 127475.

30 (b) In conducting its community health needs assessment, a  
31 private nonprofit hospital or nonprofit multispecialty clinic shall  
32 solicit comments from and meet with local government officials,  
33 including representatives of local public health departments. A  
34 private nonprofit hospital or nonprofit multispecialty clinic shall  
35 also solicit comments from and meet with health care providers,  
36 registered nurses, community groups representing, among others,  
37 patients, labor, seniors, and consumers, and other health-related  
38 organizations. Particular attention shall be given to persons who  
39 are themselves underserved and who work with underserved and  
40 vulnerable populations. Particular attention shall also be given to

1 identifying local needs to address racial and ethnic disparities in  
2 health outcomes. A private nonprofit hospital or nonprofit  
3 multispecialty clinic may create a community benefits advisory  
4 committee for the purpose of soliciting community input.

5 (c) In preparing its community health needs assessment, a private  
6 nonprofit hospital or nonprofit multispecialty clinic shall use  
7 available public health data. A private nonprofit hospital or  
8 nonprofit multispecialty clinic may collaborate with other facilities  
9 and health care institutions in conducting community health needs  
10 assessments and may make use of existing studies in completing  
11 their own needs assessments.

12 (d) Prior to completing a community health needs assessment,  
13 a private nonprofit hospital or nonprofit multispecialty clinic shall  
14 make available to the public a copy of the assessment for review  
15 and comment.

16 (e) A community health needs assessment shall be filed with  
17 the office. A private nonprofit hospital or a nonprofit multispecialty  
18 clinic shall update its community needs assessment at least every  
19 three years.

20 127477. (a) By April 1, 2015, a private nonprofit hospital or  
21 nonprofit multispecialty clinic shall develop a community benefits  
22 plan that conforms with this chapter.

23 (b) In developing a community benefits plan, a private nonprofit  
24 hospital or nonprofit multispecialty clinic shall solicit comments  
25 from and meet with local government officials, including  
26 representatives of local public health departments. A private  
27 nonprofit hospital or nonprofit multispecialty clinic shall also  
28 solicit comments from and meet with health care providers,  
29 community groups representing, among others, patients, labor,  
30 seniors, and consumers, and other health-related organizations.  
31 Particular attention shall be given to persons who are themselves  
32 underserved, who work with underserved and vulnerable  
33 populations, and who work with populations at risk for racial and  
34 ethnic disparities in health outcomes.

35 (c) A community benefits plan shall include, at a minimum, all  
36 of the following:

37 (1) A summary of the needs assessment and a statement of the  
38 community health care needs that will be addressed by the plan.

39 (2) A list of the services the private nonprofit hospital or  
40 nonprofit multispecialty clinic intends to provide in the following

1 year to address community health needs identified in the  
2 community health needs assessments. The list of services shall be  
3 categorized under the following:

4 (A) Charity care, as defined in subdivision (b) of Section  
5 127400.

6 (B) Other community benefits, including community health  
7 improvement services and community benefit operations, health  
8 professions education, subsidized health services, research, and  
9 contributions to community groups.

10 (C) Community building activities targeting underserved and  
11 vulnerable populations.

12 (3) A description of the target community or communities that  
13 the plan is intended to benefit.

14 (4) An estimate of the economic value of the community benefits  
15 that the private nonprofit hospital or nonprofit multispecialty clinic  
16 intends to provide.

17 (5) A summary of the process used to elicit community  
18 participation in the community health needs assessment and  
19 community benefits plan design, and a description of the process  
20 for ongoing participation of community members in plan  
21 implementation and oversight, and a description of how the  
22 assessment and plan respond to the comments received by the  
23 private nonprofit hospital or nonprofit multispecialty clinic from  
24 the community.

25 (6) A list of individuals, organizations, and government officials  
26 consulted during the development of the plan.

27 (7) A description of the intended impact on health outcomes  
28 attributable to the plan, including short- and long-term measurable  
29 goals and objectives.

30 (8) Mechanisms to evaluate the plan's effectiveness.

31 (9) The name and title of the individual responsible for  
32 implementing the plan.

33 (10) The names of individuals on the private nonprofit hospital's  
34 or nonprofit multispecialty clinic's governing board.

35 (11) If applicable, a report on the community benefits efforts  
36 of the preceding year, including the amounts and types of  
37 community benefits provided, in a manner to be prescribed by the  
38 office; a statement of the plan's impact on health outcomes,  
39 including a description of the private nonprofit hospital's or  
40 nonprofit multispecialty clinic's progress toward meeting its short-

1 and long-term goals and objectives; and an evaluation of the plan’s  
2 effectiveness.

3 (d) A private nonprofit hospital or nonprofit multispecialty clinic  
4 may also report on bad debts and Medicare shortfalls, although  
5 these shall not be calculated or reported as community benefits.

6 (e) The governing board of a private nonprofit hospital or  
7 nonprofit multispecialty clinic shall adopt the community benefits  
8 plan. A private nonprofit hospital or nonprofit multispecialty clinic  
9 shall make its draft community benefits plan available to the public,  
10 in hard copy and on its Internet Web site, no later than 30 days  
11 prior to its adoption by the governing board of the private nonprofit  
12 hospital or nonprofit multispecialty clinic.

13 (f) After April 1, 2015, a private nonprofit hospital or nonprofit  
14 multispecialty clinic shall, every two years, revise and submit its  
15 community benefits plan to the office, no later than 120 days after  
16 the end of the hospital’s or clinic’s fiscal year.

17 (g) A person or entity may file comments on a private nonprofit  
18 hospital’s or nonprofit multispecialty clinic’s community benefits  
19 plan with the office.

20 (h) A private nonprofit hospital or nonprofit multispecialty  
21 clinic, under the common control of a single corporation or another  
22 entity, may file a consolidated plan if the plan addresses services  
23 in all of the categories listed in paragraph (2) of subdivision (c) to  
24 be provided by each hospital or clinic under common control of  
25 the corporation or entity.

26

27 Article 3. Duties of the Office of Statewide Health Planning  
28 and Development

29

30 127487. (a) (1) The office shall develop and adopt regulations  
31 to prescribe a standardized format for community benefits plans  
32 pursuant to this chapter.

33 (2) The office shall develop a standardized methodology for  
34 estimating the economic value of community benefits.

35 (3) In developing standard of reporting on community benefits,  
36 the office shall, to the maximum extent possible, conform to  
37 Internal Revenue Service reporting standards for those data  
38 elements reported to the Internal Revenue Service, but shall also  
39 include those data elements required under this chapter or other  
40 state law, including charity care, as defined in Section 127400.

1 (4) A private nonprofit hospital or nonprofit multispecialty clinic  
2 shall annually file with the office its IRS Form 990, or its successor  
3 form, and the office shall post the form on its Internet Web site.

4 (b) The office shall provide technical assistance to help private  
5 nonprofit hospitals and nonprofit multispecialty clinics comply  
6 with this chapter.

7 (c) The office shall make public a community health needs  
8 assessment and community benefits plan and any comments  
9 received regarding those assessments and plans. The office shall  
10 make these documents available on its Internet Web site.

11 (d) The office shall annually calculate and make public the total  
12 value of community benefits provided by private nonprofit  
13 hospitals and nonprofit multispecialty clinics that report pursuant  
14 to this chapter.

15 127488. The office may assess a civil penalty against any  
16 private nonprofit hospital or nonprofit multispecialty clinic that  
17 fails to comply with this article in the same manner as specified  
18 in Section 128770.

19 SEC. 5. Section 129050 of the Health and Safety Code is  
20 amended to read:

21 129050. A loan shall be eligible for insurance under this chapter  
22 if all of the following conditions are met:

23 (a) The loan shall be secured by a first mortgage, first deed of  
24 trust, or other first priority lien on a fee interest of the borrower  
25 or by a leasehold interest of the borrower having a term of at least  
26 20 years, including options to renew for that duration, longer than  
27 the term of the insured loan. The security for the loan shall be  
28 subject only to those conditions, covenants and restrictions,  
29 easements, taxes, and assessments of record approved by the office,  
30 and other liens securing debt insured under this chapter. The office  
31 may require additional agreements in security of the loan.

32 (b) The borrower obtains an American Land Title Association  
33 title insurance policy with the office designated as beneficiary,  
34 with liability equal to the amount of the loan insured under this  
35 chapter, and with additional endorsements that the office may  
36 reasonably require.

37 (c) The proceeds of the loan shall be used exclusively for the  
38 construction, improvement, or expansion of the health facility, as  
39 approved by the office under Section 129020. However, loans  
40 insured pursuant to this chapter may include loans to refinance

1 another prior loan, whether or not state insured and without regard  
2 to the date of the prior loan, if the office determines that the amount  
3 refinanced does not exceed 90 percent of the original total  
4 construction costs and is otherwise eligible for insurance under  
5 this chapter. The office may not insure a loan for a health facility  
6 that the office determines is not needed pursuant to subdivision  
7 (k).

8 (d) The loan shall have a maturity date not exceeding 30 years  
9 from the date of the beginning of amortization of the loan, except  
10 as authorized by subdivision (e), or 75 percent of the office's  
11 estimate of the economic life of the health facility, whichever is  
12 the lesser.

13 (e) The loan shall contain complete amortization provisions  
14 requiring periodic payments by the borrower not in excess of its  
15 reasonable ability to pay as determined by the office. The office  
16 shall permit a reasonable period of time during which the first  
17 payment to amortization may be waived on agreement by the lender  
18 and borrower. The office may, however, waive the amortization  
19 requirements of this subdivision and of subdivision (g) of this  
20 section when a term loan would be in the borrower's best interest.

21 (f) The loan shall bear interest on the amount of the principal  
22 obligation outstanding at any time at a rate, as negotiated by the  
23 borrower and lender, as the office finds necessary to meet the loan  
24 money market. As used in this chapter, "interest" does not include  
25 premium charges for insurance and service charges if any. Where  
26 a loan is evidenced by a bond issue of a political subdivision, the  
27 interest thereon may be at any rate the bonds may legally bear.

28 (g) The loan shall provide for the application of the borrower's  
29 periodic payments to amortization of the principal of the loan.

30 (h) The loan shall contain those terms and provisions with  
31 respect to insurance, repairs, alterations, payment of taxes and  
32 assessments, foreclosure proceedings, anticipation of maturity,  
33 additional and secondary liens, and other matters the office may  
34 in its discretion prescribe.

35 (i) The loan shall have a principal obligation not in excess of  
36 an amount equal to 90 percent of the total construction cost.

37 (j) The borrower shall offer reasonable assurance that the  
38 services of the health facility will be made available to all persons  
39 residing or employed in the area served by the facility.

1 (k) The office has determined that the facility is needed by the  
2 community to provide the specified services. In making this  
3 determination, the office shall do all of the following:

4 (1) Require the applicant to describe the community needs the  
5 facility will meet and provide data and information to substantiate  
6 the stated needs.

7 (2) Require the applicant, if appropriate, to demonstrate  
8 participation in the community needs assessment required by  
9 ~~Section 127350.~~ 127476.

10 (3) Survey appropriate local officials and organizations to  
11 measure perceived needs and verify the applicant's needs  
12 assessment.

13 (4) Use any additional available data relating to existing facilities  
14 in the community and their capacity.

15 (5) Contact other state and federal departments that provide  
16 funding for the programs proposed by the applicant to obtain those  
17 departments' perspectives regarding the need for the facility.  
18 Additionally, the office shall evaluate the potential effect of  
19 proposed health care reimbursement changes on the facility's  
20 financial feasibility.

21 (6) Consider the facility's consistency with the Cal-Mortgage  
22 state plan.

23 (l) In the case of acquisitions, a project loan shall be guaranteed  
24 only for transactions not in excess of the fair market value of the  
25 acquisition.

26 Fair market value shall be determined, for purposes of this  
27 subdivision, pursuant to the following procedure, that shall be  
28 utilized during the office's review of a loan guarantee application:

29 (1) Completion of a property appraisal by an appraisal firm  
30 qualified to make appraisals, as determined by the office, before  
31 closing a loan on the project.

32 (2) Evaluation of the appraisal in conjunction with the book  
33 value of the acquisition by the office. When acquisitions involve  
34 additional construction, the office shall evaluate the proposed  
35 construction to determine that the costs are reasonable for the type  
36 of construction proposed. In those cases where this procedure  
37 reveals that the cost of acquisition exceeds the current value of a  
38 facility, including improvements, then the acquisition cost shall  
39 be deemed in excess of fair market value.

1 (m) Notwithstanding subdivision (i), any loan in the amount of  
 2 ten million dollars (\$10,000,000) or less may be insured up to 95  
 3 percent of the total construction cost.

4 In determining financial feasibility of projects of counties  
 5 pursuant to this section, the office shall take into consideration  
 6 any assistance for the project to be provided under Section 14085.5  
 7 of the Welfare and Institutions Code or from other sources. It is  
 8 the intent of the Legislature that the office endeavor to assist  
 9 counties in whatever ways are possible to arrange loans that will  
 10 meet the requirements for insurance prescribed by this section.

11 (n) The project’s level of financial risk meets the criteria in  
 12 Section 129051.

13 SEC. 6. Section 214 of the Revenue and Taxation Code is  
 14 amended to read:

15 214. (a) Property used exclusively for religious, hospital,  
 16 scientific, or charitable purposes owned and operated by  
 17 community chests, funds, foundations, limited liability companies,  
 18 or corporations organized and operated for religious, hospital,  
 19 scientific, or charitable purposes is exempt from taxation, including  
 20 ad valorem taxes to pay the interest and redemption charges on  
 21 any indebtedness approved by the voters prior to July 1, 1978, or  
 22 any bonded indebtedness for the acquisition or improvement of  
 23 real property approved on or after July 1, 1978, by two-thirds of  
 24 the votes cast by the voters voting on the proposition, if:

25 (1) ~~The (A)~~ *For lien dates occurring before January 1, 2015,*  
 26 *the owner is not organized or operated for profit. However, in the*  
 27 *case of hospitals, the organization shall not be deemed to be*  
 28 *organized or operated for profit if, during the immediately*  
 29 *preceding fiscal year, operating revenues, exclusive of gifts,*  
 30 *endowments and grants-in-aid, did not exceed operating expenses*  
 31 *by an amount equivalent to 10 percent of those operating expenses.*  
 32 *As used herein, operating expenses include depreciation based on*  
 33 *cost of replacement and amortization of, and interest on,*  
 34 *indebtedness.*

35 (B) (i) *For lien dates occurring on and after January 1, 2015,*  
 36 *the owner is not organized or operated for profit. However, in the*  
 37 *case of hospitals, the organization shall not be deemed to be*  
 38 *organized or operated for profit if, during the immediately*  
 39 *preceding fiscal year, it provided charity care as defined in*  
 40 *subdivision (b) of Section 127400 of the Health and Safety Code*

1 *in an amount equal to at least 5 percent of its net revenue. A*  
2 *determination of the amount of charity care provided by a hospital*  
3 *claiming exemption from taxation under this section shall be based*  
4 *on the most recently completed audited financial statement for the*  
5 *hospital's prior fiscal year and shall be reported each year to the*  
6 *Office of Statewide Health Planning and Development and to the*  
7 *State Board of Equalization in a uniform format determined by*  
8 *the Office of Statewide Health Planning and Development that*  
9 *itemizes the charity care provided in each of the categories within*  
10 *the definition of charity care set forth in subdivision (b) of Section*  
11 *127400 of the Health and Safety Code. The Office of Statewide*  
12 *Health Planning and Development shall post on its Internet Web*  
13 *site a complete copy of each hospital's annual report and shall*  
14 *provide a report to the local tax assessor in whose jurisdiction the*  
15 *hospital is located.*

16 *(ii) Each hospital claiming exemption from taxation under this*  
17 *section shall post a copy of the annual report required by this*  
18 *paragraph on its Internet Web site and shall make copies available*  
19 *to the public at its regular business office upon request. A hospital*  
20 *claiming exemption from taxation under this section shall file the*  
21 *annual report required by this paragraph by March 30 of each*  
22 *year. The State Board of Equalization may assess a fine of up to*  
23 *\$1,000 per day for each day an annual report required by this*  
24 *paragraph is delinquent, provided that no fine shall be assessed*  
25 *until 10 business days have elapsed after written notification to*  
26 *the hospital of its failure to file a compliant report.*

27 *(2) No part of the net earnings of the owner inures to the benefit*  
28 *of any private shareholder or individual.*

29 *(3) The property is used for the actual operation of the exempt*  
30 *activity, and does not exceed an amount of property reasonably*  
31 *necessary to the accomplishment of the exempt purpose.*

32 *(A) For the purposes of determining whether the property is*  
33 *used for the actual operation of the exempt activity, consideration*  
34 *shall not be given to use of the property for either or both of the*  
35 *following described activities if that use is occasional:*

36 *(i) The owner conducts fundraising activities on the property*  
37 *and the proceeds derived from those activities are not unrelated*  
38 *business taxable income, as defined in Section 512 of the Internal*  
39 *Revenue Code, of the owner and are used to further the exempt*  
40 *activity of the owner.*

1 (ii) The owner permits any other organization that meets all of  
2 the requirements of this subdivision, other than ownership of the  
3 property, to conduct fundraising activities on the property and the  
4 proceeds derived from those activities are not unrelated business  
5 taxable income, as defined in Section 512 of the Internal Revenue  
6 Code, of the organization, are not subject to the tax on unrelated  
7 business taxable income that is imposed by Section 511 of the  
8 Internal Revenue Code, and are used to further the exempt activity  
9 of the organization.

10 (B) For purposes of subparagraph (A):

11 (i) “Occasional use” means use of the property on an irregular  
12 or intermittent basis by the qualifying owner or any other qualifying  
13 organization described in clause (ii) of subparagraph (A) that is  
14 incidental to the primary activities of the owner or the other  
15 organization.

16 (ii) “Fundraising activities” means both activities involving the  
17 direct solicitation of money or other property and the anticipated  
18 exchange of goods or services for money between the soliciting  
19 organization and the organization or person solicited.

20 (C) Subparagraph (A) shall have no application in determining  
21 whether paragraph (3) has been satisfied unless the owner of the  
22 property and any other organization using the property as provided  
23 in subparagraph (A) have filed with the assessor a valid  
24 organizational clearance certificate issued pursuant to Section  
25 254.6.

26 (D) For the purposes of determining whether the property is  
27 used for the actual operation of the exempt activity, consideration  
28 shall not be given to the use of the property for meetings conducted  
29 by any other organization if the meetings are incidental to the other  
30 organization’s primary activities, are not fundraising meetings or  
31 activities as defined in subparagraph (B), are held no more than  
32 once per week, and the other organization and its use of the  
33 property meet all other requirements of paragraphs (1) to (5),  
34 inclusive, of this subdivision. The owner or the other organization  
35 also shall file with the assessor a copy of a valid, unrevoked letter  
36 or ruling from the Internal Revenue Service or the Franchise Tax  
37 Board stating that the other organization, or the national  
38 organization of which it is a local chapter or affiliate, qualifies as  
39 an exempt organization under Section 501(c)(3) or 501(c)(4) of  
40 the Internal Revenue Code or Section 23701d, 23701f, or 23701w.

1 (E) Nothing in subparagraph (A), (B), (C), or (D) shall be  
2 construed to either enlarge or restrict the exemption provided for  
3 in subdivision (b) of Section 4 and Section 5 of Article XIII of the  
4 California Constitution and this section.

5 (4) The property is not used or operated by the owner or by any  
6 other person so as to benefit any officer, trustee, director,  
7 shareholder, member, employee, contributor, or bondholder of the  
8 owner or operator, or any other person, through the distribution  
9 of profits, payment of excessive charges or compensations, or the  
10 more advantageous pursuit of their business or profession.

11 (5) The property is not used by the owner or members thereof  
12 for fraternal or lodge purposes, or for social club purposes except  
13 where that use is clearly incidental to a primary religious, hospital,  
14 scientific, or charitable purpose.

15 (6) The property is irrevocably dedicated to religious, charitable,  
16 scientific, or hospital purposes and upon the liquidation,  
17 dissolution, or abandonment of the owner will not inure to the  
18 benefit of any private person except a fund, foundation, or  
19 corporation organized and operated for religious, hospital,  
20 scientific, or charitable purposes.

21 (7) The property, if used exclusively for scientific purposes, is  
22 used by a foundation or institution that, in addition to complying  
23 with the foregoing requirements for the exemption of charitable  
24 organizations in general, has been chartered by the Congress of  
25 the United States (except that this requirement shall not apply  
26 when the scientific purposes are medical research), and whose  
27 objects are the encouragement or conduct of scientific  
28 investigation, research, and discovery for the benefit of the  
29 community at large.

30 The exemption provided for herein shall be known as the  
31 “welfare exemption.” This exemption shall be in addition to any  
32 other exemption now provided by law, and the existence of the  
33 exemption provision in paragraph (2) of subdivision (a) of Section  
34 202 shall not preclude the exemption under this section for museum  
35 or library property. Except as provided in subdivision (e), this  
36 section shall not be construed to enlarge the college exemption.

37 (b) Property used exclusively for school purposes of less than  
38 collegiate grade and owned and operated by religious, hospital, or  
39 charitable funds, foundations, limited liability companies, or  
40 corporations, which property and funds, foundations, limited

1 liability companies, or corporations meet all of the requirements  
2 of subdivision (a), shall be deemed to be within the exemption  
3 provided for in subdivision (b) of Section 4 and Section 5 of Article  
4 XIII of the California Constitution and this section.

5 (c) Property used exclusively for nursery school purposes and  
6 owned and operated by religious, hospital, or charitable funds,  
7 foundations, limited liability companies, or corporations, which  
8 property and funds, foundations, limited liability companies, or  
9 corporations meet all the requirements of subdivision (a), shall be  
10 deemed to be within the exemption provided for in subdivision  
11 (b) of Section 4 and Section 5 of Article XIII of the California  
12 Constitution and this section.

13 (d) Property used exclusively for a noncommercial educational  
14 FM broadcast station or an educational television station, and  
15 owned and operated by religious, hospital, scientific, or charitable  
16 funds, foundations, limited liability companies, or corporations  
17 meeting all of the requirements of subdivision (a), shall be deemed  
18 to be within the exemption provided for in subdivision (b) of  
19 Section 4 and Section 5 of Article XIII of the California  
20 Constitution and this section.

21 (e) Property used exclusively for religious, charitable, scientific,  
22 or hospital purposes and owned and operated by religious, hospital,  
23 scientific, or charitable funds, foundations, limited liability  
24 companies, or corporations or educational institutions of collegiate  
25 grade, as defined in Section 203, which property and funds,  
26 foundations, limited liability companies, corporations, or  
27 educational institutions meet all of the requirements of subdivision  
28 (a), shall be deemed to be within the exemption provided for in  
29 subdivision (b) of Section 4 and Section 5 of Article XIII of the  
30 California Constitution and this section. As to educational  
31 institutions of collegiate grade, as defined in Section 203, the  
32 requirements of paragraph (6) of subdivision (a) shall be deemed  
33 to be met if both of the following are met:

34 (1) The property of the educational institution is irrevocably  
35 dedicated in its articles of incorporation to charitable and  
36 educational purposes, to religious and educational purposes, or to  
37 educational purposes.

38 (2) The articles of incorporation of the educational institution  
39 provide for distribution of its property upon its liquidation,  
40 dissolution, or abandonment to a fund, foundation, or corporation

1 organized and operated for religious, hospital, scientific, charitable,  
2 or educational purposes meeting the requirements for exemption  
3 provided by Section 203 or this section.

4 (f) Property used exclusively for housing and related facilities  
5 for elderly or handicapped families and financed by, including,  
6 but not limited to, the federal government pursuant to Section 202  
7 of Public Law 86-372 (12 U.S.C. Sec. 1701q), as amended, Section  
8 231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of  
9 Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of  
10 Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and  
11 operated by religious, hospital, scientific, or charitable funds,  
12 foundations, limited liability companies, or corporations meeting  
13 all of the requirements of this section shall be deemed to be within  
14 the exemption provided for in subdivision (b) of Section 4 and  
15 Section 5 of Article XIII of the California Constitution and this  
16 section.

17 The amendment of this paragraph made by Chapter 1102 of the  
18 Statutes of 1984 does not constitute a change in, but is declaratory  
19 of, existing law. However, no refund of property taxes shall be  
20 required as a result of this amendment for any fiscal year prior to  
21 the fiscal year in which the amendment takes effect.

22 Property used exclusively for housing and related facilities for  
23 elderly or handicapped families at which supplemental care or  
24 services designed to meet the special needs of elderly or  
25 handicapped residents are not provided, or that is not financed by  
26 the federal government pursuant to Section 202 of Public Law  
27 86-372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public  
28 Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law  
29 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law  
30 101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption  
31 pursuant to this subdivision unless the property is used for housing  
32 and related facilities for low- and moderate-income elderly or  
33 handicapped families. Property that would otherwise be exempt  
34 pursuant to this subdivision, except that it includes some housing  
35 and related facilities for other than low- or moderate-income elderly  
36 or handicapped families, shall be entitled to a partial exemption.  
37 The partial exemption shall be equal to that percentage of the value  
38 of the property that is equal to the percentage that the number of  
39 low- and moderate-income elderly and handicapped families

1 occupying the property represents of the total number of families  
2 occupying the property.

3 As used in this subdivision, “low and moderate income” has the  
4 same meaning as the term “persons and families of low or moderate  
5 income” as defined by Section 50093 of the Health and Safety  
6 Code.

7 (g) (1) Property used exclusively for rental housing and related  
8 facilities and owned and operated by religious, hospital, scientific,  
9 or charitable funds, foundations, limited liability companies, or  
10 corporations, including limited partnerships in which the managing  
11 general partner is an eligible nonprofit corporation or eligible  
12 limited liability company, meeting all of the requirements of this  
13 section, or by veterans’ organizations, as described in Section  
14 215.1, meeting all the requirements of paragraphs (1) to (7),  
15 inclusive, of subdivision (a), shall be deemed to be within the  
16 exemption provided for in subdivision (b) of Section 4 and Section  
17 5 of Article XIII of the California Constitution and this section  
18 and shall be entitled to a partial exemption equal to that percentage  
19 of the value of the property that the portion of the property serving  
20 lower income households represents of the total property in any  
21 year in which any of the following criteria applies:

22 (A) The acquisition, rehabilitation, development, or operation  
23 of the property, or any combination of these factors, is financed  
24 with tax-exempt mortgage revenue bonds or general obligation  
25 bonds, or is financed by local, state, or federal loans or grants and  
26 the rents of the occupants who are lower income households do  
27 not exceed those prescribed by deed restrictions or regulatory  
28 agreements pursuant to the terms of the financing or financial  
29 assistance.

30 (B) The owner of the property is eligible for and receives  
31 low-income housing tax credits pursuant to Section 42 of the  
32 Internal Revenue Code of 1986, as added by Public Law 99-514.

33 (C) In the case of a claim, other than a claim with respect to  
34 property owned by a limited partnership in which the managing  
35 general partner is an eligible nonprofit corporation, that is filed  
36 for the 2000–01 fiscal year or any fiscal year thereafter, 90 percent  
37 or more of the occupants of the property are lower income  
38 households whose rent does not exceed the rent prescribed by  
39 Section 50053 of the Health and Safety Code. The total exemption  
40 amount allowed under this subdivision to a taxpayer, with respect

1 to a single property or multiple properties for any fiscal year on  
2 the sole basis of the application of this subparagraph, may not  
3 exceed twenty thousand dollars (\$20,000) of tax.

4 (D) (i) The property was previously purchased and owned by  
5 the Department of Transportation pursuant to a consent decree  
6 requiring housing mitigation measures relating to the construction  
7 of a freeway and is now solely owned by an organization that  
8 qualifies as an exempt organization under Section 501(c)(3) of the  
9 Internal Revenue Code.

10 (ii) This subparagraph shall not apply to property owned by a  
11 limited partnership in which the managing partner is an eligible  
12 nonprofit corporation.

13 (2) In order to be eligible for the exemption provided by this  
14 subdivision, the owner of the property shall do both of the  
15 following:

16 (A) (i) For any claim filed for the 2000–01 fiscal year or any  
17 fiscal year thereafter, certify and ensure, subject to the limitation  
18 in clause (ii), that there is an enforceable and verifiable agreement  
19 with a public agency, a recorded deed restriction, or other legal  
20 document that restricts the project’s usage and that provides that  
21 the units designated for use by lower income households are  
22 continuously available to or occupied by lower income households  
23 at rents that do not exceed those prescribed by Section 50053 of  
24 the Health and Safety Code, or, to the extent that the terms of  
25 federal, state, or local financing or financial assistance conflicts  
26 with Section 50053, rents that do not exceed those prescribed by  
27 the terms of the financing or financial assistance.

28 (ii) In the case of a limited partnership in which the managing  
29 general partner is an eligible nonprofit corporation, the restriction  
30 and provision specified in clause (i) shall be contained in an  
31 enforceable and verifiable agreement with a public agency, or in  
32 a recorded deed restriction to which the limited partnership  
33 certifies.

34 (B) Certify that the funds that would have been necessary to  
35 pay property taxes are used to maintain the affordability of, or  
36 reduce rents otherwise necessary for, the units occupied by lower  
37 income households.

38 (3) As used in this subdivision, “lower income households” has  
39 the same meaning as the term “lower income households” as  
40 defined by Section 50079.5 of the Health and Safety Code.

1 (h) Property used exclusively for an emergency or temporary  
2 shelter and related facilities for homeless persons and families and  
3 owned and operated by religious, hospital, scientific, or charitable  
4 funds, foundations, limited liability companies, or corporations  
5 meeting all of the requirements of this section shall be deemed to  
6 be within the exemption provided for in subdivision (b) of Section  
7 4 and Section 5 of Article XIII of the California Constitution and  
8 this section. Property that otherwise would be exempt pursuant to  
9 this subdivision, except that it includes housing and related  
10 facilities for other than an emergency or temporary shelter, shall  
11 be entitled to a partial exemption.

12 As used in this subdivision, “emergency or temporary shelter”  
13 means a facility that would be eligible for funding pursuant to  
14 Chapter 11 (commencing with Section 50800) of Part 2 of Division  
15 31 of the Health and Safety Code.

16 (i) Property used exclusively for housing and related facilities  
17 for employees of religious, charitable, scientific, or hospital  
18 organizations that meet all the requirements of subdivision (a) and  
19 owned and operated by funds, foundations, limited liability  
20 companies, or corporations that meet all the requirements of  
21 subdivision (a) shall be deemed to be within the exemption  
22 provided for in subdivision (b) of Section 4 and Section 5 of Article  
23 XIII of the California Constitution and this section to the extent  
24 the residential use of the property is institutionally necessary for  
25 the operation of the organization.

26 (j) For purposes of this section, charitable purposes include  
27 educational purposes. For purposes of this subdivision,  
28 “educational purposes” means those educational purposes and  
29 activities for the benefit of the community as a whole or an  
30 unascertainable and indefinite portion thereof, and do not include  
31 those educational purposes and activities that are primarily for the  
32 benefit of an organization’s shareholders. Educational activities  
33 include the study of relevant information, the dissemination of that  
34 information to interested members of the general public, and the  
35 participation of interested members of the general public.

36 (k) In the case of property used exclusively for the exempt  
37 purposes specified in this section, owned and operated by limited  
38 liability companies that are organized and operated for those  
39 purposes, the State Board of Equalization shall adopt regulations  
40 to specify the ownership, organizational, and operational

1 requirements for those companies to qualify for the exemption  
2 provided by this section.

3 (l) The amendments made by Chapter 354 of the Statutes of  
4 2004 shall apply with respect to lien dates occurring on and after  
5 January 1, 2005.

6 SEC. 7. Section 214.9 of the Revenue and Taxation Code is  
7 amended to read:

8 214.9. ~~For~~(a) (1) *For lien dates occurring before January 1,*  
9 *2015, for the purposes of Section 214, a “hospital” includes an*  
10 *outpatient clinic, whether or not patients are admitted for overnight*  
11 *stay or longer, where the clinic furnishes or provides psychiatric*  
12 *services for emotionally disturbed children, or where the clinic is*  
13 *a nonprofit multispecialty clinic of the type described in*  
14 *subdivision (l) of Section 1206 of the Health and Safety Code, so*  
15 *long as the multispecialty clinic does not reduce the level of*  
16 *charitable or subsidized activities it provides as a proportion of its*  
17 *total activities.*

18 (2) (A) *For lien dates occurring on and after January 1, 2015,*  
19 *for the purposes of Section 214, a “hospital” includes an outpatient*  
20 *clinic, whether or not patients are admitted for overnight stay or*  
21 *longer, where the clinic furnishes or provides psychiatric services*  
22 *for emotionally disturbed children, or where the clinic is a*  
23 *nonprofit multispecialty clinic of the type described in subdivision*  
24 *(l) of Section 1206 of the Health and Safety Code, so long as during*  
25 *the immediately preceding fiscal year, the nonprofit multispecialty*  
26 *clinic provided charity care as defined in subdivision (b) of Section*  
27 *127400 of the Health and Safety Code in an amount equal to at*  
28 *least 5 percent of its net revenues. A determination of the amount*  
29 *of charity care provided by a nonprofit multispecialty clinic*  
30 *claiming exemption from taxation under Section 214 shall be based*  
31 *on the most recently completed audited financial statement for the*  
32 *nonprofit multispecialty clinic’s prior fiscal year and shall be*  
33 *reported each year to the Office of Statewide Health Planning and*  
34 *Development and to the State Board of Equalization in a uniform*  
35 *format determined by the Office of Statewide Health Planning and*  
36 *Development that itemizes the charity care provided in each of the*  
37 *categories within the definition of charity care set forth in*  
38 *subdivision (b) of Section 127400 of the Health and Safety Code.*  
39 *The Office of Statewide Health Planning and Development shall*  
40 *post on its Internet Web site a complete copy of each nonprofit*

1 multispecialty clinic’s annual report and shall provide a report to  
2 the local tax assessor in whose jurisdiction the nonprofit  
3 multispecialty clinic is located.

4 (B) Each nonprofit multispecialty clinic hospital claiming  
5 exemption from taxation under Section 214 shall post a copy of  
6 the annual report required by this paragraph on its Internet Web  
7 site and shall make copies available to the public at its regular  
8 business office upon request. A nonprofit multispecialty clinic  
9 claiming exemption from taxation under Section 214 shall file the  
10 annual report required by this paragraph by March 30 of each  
11 year. The State Board of Equalization may assess a fine of up to  
12 \$1,000 per day for each day an annual report required by this  
13 paragraph is delinquent, provided that no fine shall be assessed  
14 until 10 business days have elapsed after written notification to  
15 the nonprofit multispecialty clinic hospital of its failure to file a  
16 compliant report.

17 For

18 (b) For purposes of this section, a “hospital” does not include  
19 those portions of an outpatient clinic which may be leased or rented  
20 to a physician for an office for the general practice of medicine.

21 SEC. 8. Section 23701d of the Revenue and Taxation Code is  
22 amended to read:

23 23701d. (a) A corporation, community chest or trust, organized  
24 and operated exclusively for religious, charitable, scientific, testing  
25 for public safety, literary, or educational purposes, or to foster  
26 national or international amateur sports competition (but only if  
27 no part of its activities involved the provision of athletic facilities  
28 or equipment), or for the prevention of cruelty to children or  
29 animals, no part of the net earnings of which inures to the benefit  
30 of any private shareholder or individual, no substantial part of the  
31 activities of which is carrying on propaganda or otherwise  
32 attempting to influence legislation, (except as otherwise provided  
33 in Section 23704.5), and which does not participate in, or intervene  
34 in (including the publishing or distribution of statements), any  
35 political campaign on behalf of (or in opposition to) any candidate  
36 for public office. An organization is not organized exclusively for  
37 exempt purposes listed above unless its assets are irrevocably  
38 dedicated to one or more purposes listed in this section. Dedication  
39 of assets requires that in the event of dissolution of an organization  
40 or the impossibility of performing the specific organizational

1 purposes the assets would continue to be devoted to exempt  
2 purposes. Assets shall be deemed irrevocably dedicated to exempt  
3 purposes if the articles of organization provide that upon  
4 dissolution the assets will be distributed to an organization which  
5 is exempt under this section or Section 501(c)(3) of the Internal  
6 Revenue Code or to the federal government, or to a state or local  
7 government for public purposes; or by a provision in the articles  
8 of organization, satisfactory to the Franchise Tax Board; that the  
9 property will be distributed in trust for exempt purposes; or by  
10 establishing that the assets are irrevocably dedicated to exempt  
11 purposes by operation of law. The irrevocable dedication  
12 requirement shall not be a sole basis for revocation of an exempt  
13 determination made by the Franchise Tax Board prior to the  
14 effective date of this amendment.

15 (b) (1) In the case of a qualified amateur sports organization—

16 (A) The requirement of subdivision (a) that no part of its  
17 activities involves the provision of athletic facilities or equipment  
18 shall not apply.

19 (B) That organization shall not fail to meet the requirements of  
20 subdivision (a) merely because its membership is local or regional  
21 in nature.

22 (2) For purposes of this subdivision, “qualified amateur sports  
23 organization” means any organization organized and operated  
24 exclusively to foster national or international amateur sports  
25 competition if that organization is also organized and operated  
26 primarily to conduct national or international competition in sports  
27 or to support and develop amateur athletes for national or  
28 international competition in sports.

29 (c) *For taxable years beginning on and after January 1, 2015,*  
30 *notwithstanding subdivision (a) or any other law, a nonprofit*  
31 *hospital as defined in subdivision (i) of Section 127472 of the*  
32 *Health and Safety Code that is organized and operated within*  
33 *subdivision (a) shall additionally meet the following requirements*  
34 *in order to be exempt under Section 23701:*

35 (1) *In the immediately preceding fiscal year, the nonprofit*  
36 *hospital provided charity care, as defined in subdivision (b) of*  
37 *Section 127400 of the Health and Safety Code, in an amount equal*  
38 *to at least 5 percent of its net revenues. A determination of the*  
39 *amount of charity care provided by the nonprofit hospital shall be*  
40 *based on the most recently completed audited financial statement*

1 for the nonprofit hospital's prior fiscal year and shall be reported  
2 each year to the Office of Statewide Health Planning and  
3 Development and to the State Board of Equalization in a uniform  
4 format determined by the Office of Statewide Health Planning and  
5 Development that itemizes the charity care provided in each of the  
6 categories within the definition of charity care set forth in  
7 subdivision (b) of Section 127400 of the Health and Safety Code.  
8 The Office of Statewide Health Planning and Development shall  
9 post on its Internet Web site a complete copy of each nonprofit  
10 hospital's annual report and shall provide a report to the local  
11 tax assessor in whose jurisdiction the nonprofit hospital is located.

12 (2) The nonprofit hospital shall post a copy of the annual report  
13 required by this subdivision on its Internet Web site and shall make  
14 copies available to the public at its regular business office upon  
15 request. The nonprofit hospital shall file the annual report required  
16 by this subdivision by March 30 of each year. The State Board of  
17 Equalization may assess a fine of up to \$1,000 per day for each  
18 day an annual report required by this subdivision is delinquent,  
19 provided that a fine shall not be assessed until 10 business days  
20 have elapsed after written notification to the nonprofit hospital of  
21 its failure to file a compliant report.

22 (d) For taxable years beginning on and after January 1, 2015,  
23 notwithstanding subdivision (a) or any other law, a nonprofit  
24 multispecialty clinic of the type described in subdivision (1) of  
25 Section 1206 of the Health and Safety Code that is organized and  
26 operated within subdivision (a) must additionally meet the  
27 following requirements in order to be exempt under Section 23701:

28 (1) In the immediately preceding fiscal year, the nonprofit  
29 multispecialty clinic provided charity care, as defined in  
30 subdivision (b) of Section 127400 of the Health and Safety Code,  
31 in an amount equal to at least 5 percent of its net revenues. A  
32 determination of the amount of charity care provided by the  
33 nonprofit multispecialty clinic shall be based on the most recently  
34 completed audited financial statement for the nonprofit  
35 multispecialty clinic's prior fiscal year and shall be reported each  
36 year to the Office of Statewide Health Planning and Development  
37 and to the State Board of Equalization in a uniform format  
38 determined by the Office of Statewide Health Planning and  
39 Development that itemizes the charity care provided in each of the  
40 categories within the definition of charity care set forth in

1 *subdivision (b) of Section 127400 of the Health and Safety Code.*  
2 *The Office of Statewide Health Planning and Development shall*  
3 *post on its Internet Web site a complete copy of each nonprofit*  
4 *multispecialty clinic's annual report and shall provide a report to*  
5 *the local tax assessor in whose jurisdiction the nonprofit*  
6 *multispecialty clinic is located.*

7 (2) *The nonprofit multispecialty clinic shall post a copy of the*  
8 *annual report required by this subdivision on its Internet Web site*  
9 *and shall make copies available to the public at its regular business*  
10 *office upon request. The nonprofit multispecialty clinic shall file*  
11 *the annual report required by this subdivision by March 30 of each*  
12 *year. The State Board of Equalization may assess a fine of up to*  
13 *\$1,000 per day for each day an annual report required by this*  
14 *subdivision is delinquent, provided a fine shall not be assessed*  
15 *until 10 business days have elapsed after written notification to*  
16 *the nonprofit multispecialty clinic of its failure to file a compliant*  
17 *report.*

18 ~~(e)~~

19 (e) (1) *Notwithstanding subdivisions (a), (b), and (c) of Section*  
20 *23701, an organization organized and operated for nonprofit*  
21 *purposes in accordance with this section shall be exempt from*  
22 *taxes imposed by this part, except as provided in this article or in*  
23 *Article 2 (commencing with Section 23731), upon its submission*  
24 *to the Franchise Tax Board of one of the following:*

25 (A) *A copy of the determination letter or ruling issued by the*  
26 *Internal Revenue Service recognizing the organization's exemption*  
27 *from federal income tax under Section 501(a) of the Internal*  
28 *Revenue Code, as an organization described in Section 501(c)(3)*  
29 *of the Internal Revenue Code.*

30 (B) *A copy of the group exemption letter issued by the Internal*  
31 *Revenue Service that states that both the central organization and*  
32 *all of its subordinates are tax-exempt under Section 501(c)(3) of*  
33 *the Internal Revenue Code and substantiation that the organization*  
34 *is included in the federal group exemption letter as a subordinate*  
35 *organization.*

36 (2) *Upon receipt of the documents required in subparagraph*  
37 *(A) or (B) of paragraph (1), the Franchise Tax Board shall issue*  
38 *an acknowledgment that the organization is exempt from taxes*  
39 *imposed by this part, except as provided in this article or in Article*  
40 *2 (commencing with Section 23731). The acknowledgment may*

1 refer to the organization’s recognition by the Internal Revenue  
 2 Service of exemption from federal income tax as an organization  
 3 described in Section 501(c)(3) of the Internal Revenue Code and,  
 4 if applicable, the organization’s subordinate organization status  
 5 under a federal group exemption letter. The effective date of an  
 6 organization’s exemption from state income tax pursuant to this  
 7 subdivision shall be no later than the effective date of the  
 8 organization’s recognition of exemption from federal income tax  
 9 as an organization described in Section 501(c)(3) of the Internal  
 10 Revenue Code, or its status as a subordinate organization under a  
 11 federal group exemption letter, as applicable.

12 (3) If, for federal income tax purposes, an organization’s  
 13 exemption from tax as an organization described in Section  
 14 501(c)(3) of the Internal Revenue Code is suspended or revoked,  
 15 the organization shall notify the Franchise Tax Board of the  
 16 suspension or revocation, in the form and manner prescribed by  
 17 the Franchise Tax Board. Upon notification, the board shall  
 18 suspend or revoke, whichever is applicable, for state income tax  
 19 purposes, the organization’s exemption under paragraph (1) of this  
 20 subdivision.

21 (4) This subdivision shall not be construed to prevent the  
 22 Franchise Tax Board from revoking the exemption of an  
 23 organization that is not organized or operated in accordance with  
 24 this chapter or Section 501(c)(3) of the Internal Revenue Code.

25 (5) If the Franchise Tax Board suspends or revokes the  
 26 exemption of an organization pursuant to paragraph (3) or (4), the  
 27 exemption shall be reinstated only upon compliance with Section  
 28 23701, regardless of whether the organization can establish  
 29 exemption under paragraph (1).

30 ~~(e)~~

31 (f) The Franchise Tax Board may prescribe rules and regulations  
 32 to implement this section.

33 SEC. 9. If the Commission on State Mandates determines that  
 34 this act contains costs mandated by the state, reimbursement to  
 35 local agencies and school districts for those costs shall be made  
 36 pursuant to Part 7 (commencing with Section 17500) of Division  
 37 4 of Title 2 of the Government Code.

O