

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**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 *Section 214* of the Revenue and Taxation Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 975, as amended, 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.

*The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property.*

*Existing property tax law establishes a welfare exemption under which property is exempt from taxation if, among other things, that property is used exclusively for religious, hospital, scientific, or charitable purposes and is owned and operated by an entity, as provided, that is itself organized and operated for those purposes.*

*Existing law provides that a hospital is not deemed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are not in excess of the operating expenses of the hospital by an amount equal to 10% of the hospital's operating expenses.*

*This bill would state that a hospital is rebuttably presumed to be organized or operated for profit if, during the immediately preceding fiscal year, the operating revenues, as defined, are in excess of the operating expenses of the hospital by an amount equal to more than 10% of the hospital's operating expenses and that this statement is a declaration that this change constitutes a declaration of existing law.*

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

*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 1200) of Division 2, except a health  
5 facility owned and operated by the state, shall each year be charged  
6 a fee established by the office consistent with the requirements of  
7 this section.

8 (b) Commencing in calendar year 2004, every freestanding  
9 ambulatory surgery clinic, as defined in Section 128700, shall each  
10 year be charged a fee established by the office consistent with the  
11 requirements of this section.

12 (c) The fee structure shall be established each year by the office  
13 to produce revenues equal to the appropriation made in the annual  
14 Budget Act or another statute to pay for the functions required to  
15 be performed by the office pursuant to this chapter, Chapter 2.6  
16 (commencing with Section 127470), or Chapter 1 (commencing  
17 with Section 128675) of Part 5, and to pay for any other  
18 health-related programs administered by the office. The fee shall  
19 be due on July 1 and delinquent on July 31 of year.

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

25 (e) The fee for a hospital, as defined in subdivision (c) of Section  
26 128700, shall be not more than 0.035 percent of the gross operating  
27 cost of the facility for the provision of health care services for its  
28 last fiscal year that ended on or before June 30 of the preceding  
29 calendar year.

30 (f) The fee for a freestanding ambulatory surgery clinic shall  
31 be established at an amount equal to the number of ambulatory

1 surgery data records submitted to the office pursuant to Section  
2 128737 for encounters in the preceding calendar year multiplied  
3 by not more than fifty cents (\$0.50).

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

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

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

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

28 SEC. 2. Article 2 (commencing with Section 127340) of  
29 Chapter 2 of Part 2 of Division 107 of the Health and Safety Code  
30 is repealed.

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

33 127400. The following definitions apply for the purposes of  
34 this article:

35 (a) "Allowance for financially qualified patient" means, with  
36 respect to services rendered to a financially qualified patient, an  
37 allowance that is applied after the hospital's charges are imposed  
38 on the patient, due to the patient's determined financial inability  
39 to pay the charges.

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

7 (A) Health care services or items on an inpatient or outpatient  
8 basis to a financially qualified patient with no expectation of  
9 payment.

10 (B) Health care services or items provided to a financially  
11 qualified patient through other nonprofit or public outpatient  
12 clinics, hospitals, or health care organizations with no expectation  
13 of payment.

14 (C) Community benefits, provided that the provision, funding,  
15 or financial support of those benefits is demonstrated to reduce  
16 community health care costs. For purposes of this subparagraph,  
17 “community benefits” means any of the following: vaccination  
18 programs and services for low-income families, chronic illness  
19 prevention programs and services, nursing and caregiver training  
20 provided without assessment of fees or payment of tuition,  
21 home-based health care programs for low-income families, or  
22 community-based mental health and outreach and assessment  
23 programs for low-income families. For purposes of this  
24 subparagraph, “low-income families” means families or individuals  
25 with income less than or equal to 350 percent of the federal poverty  
26 level.

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

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

29 (B) Care provided to patients for which a public program or  
30 public or private grant funds pay for any of the charges for the  
31 care.

32 ~~(C) Care for which partial payment was received from any~~  
33 ~~source.~~

34 ~~(D)~~

35 (C) Contractual adjustments in the provision of health care  
36 services below the amount identified as gross charges or  
37 “chargemaster” rates by the health care provider.

38 ~~(E)~~

1 (D) Any amount over 125 percent of the Medicare rate for the  
2 health care services or items provided on an inpatient or outpatient  
3 basis.

4 ~~(F)~~

5 (E) Any amount over 125 percent of the Medicare rate for  
6 providing, funding, or otherwise financially supporting health care  
7 services or items with no expectation of payment provided to  
8 financially qualified patients through other nonprofit or public  
9 outpatient clinics, hospitals, or health care organizations.

10 ~~(G)~~

11 (F) The cost to a nonprofit hospital of paying a tax or other  
12 governmental assessment.

13 (c) “Federal poverty level” means the poverty guidelines updated  
14 periodically in the Federal Register by the United States  
15 Department of Health and Human Services under authority of  
16 subsection (2) of Section 9902 of Title 42 of the United States  
17 Code.

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

20 (1) A patient who is a self-pay patient, as defined in subdivision  
21 (g) or a patient with high medical costs, as defined in subdivision  
22 (h).

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

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

29 (f) “Office” means the Office of Statewide Health Planning and  
30 Development.

31 (g) “Self-pay patient” means a patient who does not have  
32 third-party coverage from a health insurer, health care service plan,  
33 Medicare, or Medicaid, and whose injury is not a compensable  
34 injury for purposes of workers’ compensation, automobile  
35 insurance, or other insurance as determined and documented by  
36 the hospital. Self-pay patients may include charity care patients.

37 (h) “A patient with high medical costs” means a person whose  
38 family income does not exceed 350 percent of the federal poverty  
39 level, as defined in subdivision (c), if that individual does not  
40 receive a discounted rate from the hospital as a result of his or her

1 third-party coverage. For these purposes, “high medical costs”  
2 means any of the following:

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

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

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

12 (i) “Patient’s family” means the following:

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

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

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

23  
24 CHAPTER 2.6. COMMUNITY BENEFITS

25  
26 Article 1. Hospital Community Benefits

27  
28 127470. (a) The Legislature finds and declares the following:

29 (1) Access to health care services is of vital concern to the  
30 people of California.

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

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

37 (4) The state has a substantial interest in ensuring that the unmet  
38 health needs of its residents are addressed. Health care providers  
39 can help address these needs by providing charity care and

1 community benefits to the uninsured and underinsured members  
2 of their communities.

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

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

21 127472. The following definitions apply for the purposes of  
22 this chapter:

23 (a) “Community” means the service area or patient population  
24 for which a private nonprofit hospital or nonprofit multispecialty  
25 clinic provides health care services.

26 (b) “Community benefits” means the unreimbursed goods,  
27 services, and resources provided by a private nonprofit hospital  
28 or nonprofit multispecialty clinic that addresses  
29 community-identified health needs and concerns, particularly for  
30 people who are uninsured, underserved, or members of a vulnerable  
31 population. Community benefits include, but are not limited to,  
32 charity care, as defined in Section 127400, the cost of community  
33 health improvement services and community benefit operations,  
34 and the cost of health professions education, subsidized health  
35 services for vulnerable populations, research, contributions to  
36 community groups, and community building activities.

37 (c) “Community benefits plan” means the written document  
38 prepared for annual submission to the office that includes, but is  
39 not limited to, a description of the activities that the private  
40 nonprofit hospital or nonprofit multispecialty clinic has undertaken

1 to address identified community needs within its mission and  
2 financial capacity, and the process by which the hospital or clinic  
3 develops the plan in consultation with the community.

4 (d) “Community health needs assessment” means the process  
5 by which the private nonprofit hospital or nonprofit multispecialty  
6 clinic identifies, for its primary service area as determined by the  
7 hospital or clinic, unmet community needs.

8 (e) “Discounted care” means the cost for medical care provided  
9 consistent with Article 1 (commencing with Section 127400) of  
10 Chapter 2.5.

11 (f) “Free care” means the unreimbursed cost for medical care  
12 for a patient who cannot afford to pay for care provided consistent  
13 with Article 1 (commencing with Section 127400) of Chapter 2.5.

14 (g) “Nonprofit multispecialty clinic” means a clinic as described  
15 in subdivision (l) of Section 1206.

16 (h) “Office” means the Office of Statewide Health Planning and  
17 Development.

18 (i) “Private nonprofit hospital” means a private nonprofit acute  
19 care hospital operated or controlled by a nonprofit corporation, as  
20 defined in Section 5046 of the Corporations Code, that has been  
21 determined to be exempt from taxation under the Internal Revenue  
22 Code. For purposes of this chapter, “private nonprofit hospital”  
23 does not include any of the following:

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

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

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

33 127473. A private nonprofit hospital or a nonprofit  
34 multispecialty clinic that reports community benefits to the  
35 community shall report on those community benefits in a consistent  
36 and comparable manner to all other private nonprofit hospitals and  
37 nonprofit multispecialty clinics.

38 127474. A private nonprofit hospital or a nonprofit  
39 multispecialty clinic shall make its community health needs  
40 assessment and community benefits plan or community health

1 plan available to the public on its Internet Web site. A copy of the  
2 assessment and plan shall be given free of charge to any person  
3 upon request.

4

5 Article 2. Community Benefits Statement, Community Needs  
6 Assessment, and Community Benefits Plan

7

8 127475. (a) Private nonprofit hospitals and nonprofit  
9 multispecialty clinics shall provide community benefits to the  
10 community.

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

14 (1) A community benefits statement that describes the hospital's  
15 or clinic's commitment to developing, adopting, and implementing  
16 a community benefits program. The hospital's or clinic's governing  
17 board shall document that it has reviewed the clinic's  
18 organizational mission statement and considered amendments to  
19 it that would better align that organizational mission statement  
20 with the community benefits statement.

21 (2) A description of the process for approval of the community  
22 benefits statement by the hospital's or clinic's governing board,  
23 including a declaration that the board and administrators of the  
24 hospital or clinic shall be responsible for oversight and  
25 implementation of the community benefits plan. The board may  
26 establish a community benefits implementation committee that  
27 shall include members of the board, senior administrators, and  
28 community stakeholders.

29 (3) A community health needs assessment pursuant to Section  
30 127476 that evaluates the health needs and resources of the  
31 community it serves.

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

36 (1) Access to health care for members of underserved and  
37 vulnerable populations.

38 (2) The addressing of essential health care needs of the  
39 community, with particular attention to the needs of members of  
40 underserved and vulnerable populations.

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

4 127476. (a) Prior to adopting a community benefits plan, a  
5 private nonprofit hospital or nonprofit multispecialty clinic shall  
6 complete a community needs assessment that evaluates the health  
7 needs and resources of the community served by the hospital or  
8 clinic that is designed to achieve the outcomes specified in  
9 subdivision (c) of Section 127475.

10 (b) In conducting its community health needs assessment, a  
11 private nonprofit hospital or nonprofit multispecialty clinic shall  
12 solicit comments from and meet with local government officials,  
13 including representatives of local public health departments. A  
14 private nonprofit hospital or nonprofit multispecialty clinic shall  
15 also solicit comments from and meet with health care providers,  
16 registered nurses, community groups representing, among others,  
17 patients, labor, seniors, and consumers, and other health-related  
18 organizations. Particular attention shall be given to persons who  
19 are themselves underserved and who work with underserved and  
20 vulnerable populations. Particular attention shall also be given to  
21 identifying local needs to address racial and ethnic disparities in  
22 health outcomes. A private nonprofit hospital or nonprofit  
23 multispecialty clinic may create a community benefits advisory  
24 committee for the purpose of soliciting community input.

25 (c) In preparing its community health needs assessment, a private  
26 nonprofit hospital or nonprofit multispecialty clinic shall use  
27 available public health data. A private nonprofit hospital or  
28 nonprofit multispecialty clinic may collaborate with other facilities  
29 and health care institutions in conducting community health needs  
30 assessments and may make use of existing studies in completing  
31 their own needs assessments.

32 (d) Prior to completing a community health needs assessment,  
33 a private nonprofit hospital or nonprofit multispecialty clinic shall  
34 make available to the public a copy of the assessment for review  
35 and comment.

36 (e) A community health needs assessment shall be filed with  
37 the office. A private nonprofit hospital or a nonprofit multispecialty  
38 clinic shall update its community needs assessment at least every  
39 three years.

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

4 (b) In developing a community benefits plan, a private nonprofit  
5 hospital or nonprofit multispecialty clinic shall solicit comments  
6 from and meet with local government officials, including  
7 representatives of local public health departments. A private  
8 nonprofit hospital or nonprofit multispecialty clinic shall also  
9 solicit comments from and meet with health care providers,  
10 community groups representing, among others, patients, labor,  
11 seniors, and consumers, and other health-related organizations.  
12 Particular attention shall be given to persons who are themselves  
13 underserved, who work with underserved and vulnerable  
14 populations, and who work with populations at risk for racial and  
15 ethnic disparities in health outcomes.

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

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

20 (2) A list of the services the private nonprofit hospital or  
21 nonprofit multispecialty clinic intends to provide in the following  
22 year to address community health needs identified in the  
23 community health needs assessments. The list of services shall be  
24 categorized under the following:

25 (A) Charity care, as defined in subdivision (b) of Section  
26 127400.

27 (B) Other community benefits, including community health  
28 improvement services and community benefit operations, health  
29 professions education, subsidized health services, research, and  
30 contributions to community groups.

31 (C) Community building activities targeting underserved and  
32 vulnerable populations.

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

35 (4) An estimate of the economic value of the community benefits  
36 that the private nonprofit hospital or nonprofit multispecialty clinic  
37 intends to provide.

38 (5) A summary of the process used to elicit community  
39 participation in the community health needs assessment and  
40 community benefits plan design, and a description of the process

1 for ongoing participation of community members in plan  
2 implementation and oversight, and a description of how the  
3 assessment and plan respond to the comments received by the  
4 private nonprofit hospital or nonprofit multispecialty clinic from  
5 the community.

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

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

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

12 (9) The name and title of the individual responsible for  
13 implementing the plan.

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

16 (11) If applicable, a report on the community benefits efforts  
17 of the preceding year, including the amounts and types of  
18 community benefits provided, in a manner to be prescribed by the  
19 office; a statement of the plan's impact on health outcomes,  
20 including a description of the private nonprofit hospital's or  
21 nonprofit multispecialty clinic's progress toward meeting its short-  
22 and long-term goals and objectives; and an evaluation of the plan's  
23 effectiveness.

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

27 (e) The governing board of a private nonprofit hospital or  
28 nonprofit multispecialty clinic shall adopt the community benefits  
29 plan. A private nonprofit hospital or nonprofit multispecialty clinic  
30 shall make its draft community benefits plan available to the public,  
31 in hard copy and on its Internet Web site, no later than 30 days  
32 prior to its adoption by the governing board of the private nonprofit  
33 hospital or nonprofit multispecialty clinic.

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

38 (g) A person or entity may file comments on a private nonprofit  
39 hospital's or nonprofit multispecialty clinic's community benefits  
40 plan with the office.

1 (h) A private nonprofit hospital or nonprofit multispecialty  
 2 clinic, under the common control of a single corporation or another  
 3 entity, may file a consolidated plan if the plan addresses services  
 4 in all of the categories listed in paragraph (2) of subdivision (c) to  
 5 be provided by each hospital or clinic under common control of  
 6 the corporation or entity.

7

8 Article 3. Duties of the Office of Statewide Health Planning  
 9 and Development

10

11 127487. (a) (1) The office shall develop and adopt regulations  
 12 to prescribe a standardized format for community benefits plans  
 13 pursuant to this chapter.

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

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

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

25 (b) The office shall provide technical assistance to help private  
 26 nonprofit hospitals and nonprofit multispecialty clinics comply  
 27 with this chapter.

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

32 (d) The office shall annually calculate and make public the total  
 33 value of community benefits provided by private nonprofit  
 34 hospitals and nonprofit multispecialty clinics that report pursuant  
 35 to this chapter.

36 127488. The office may assess a civil penalty against any  
 37 private nonprofit hospital or nonprofit multispecialty clinic that  
 38 fails to comply with this article in the same manner as specified  
 39 in Section 128770.

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

3 129050. A loan shall be eligible for insurance under this chapter  
4 if all of the following conditions are met:

5 (a) The loan shall be secured by a first mortgage, first deed of  
6 trust, or other first priority lien on a fee interest of the borrower  
7 or by a leasehold interest of the borrower having a term of at least  
8 20 years, including options to renew for that duration, longer than  
9 the term of the insured loan. The security for the loan shall be  
10 subject only to those conditions, covenants and restrictions,  
11 easements, taxes, and assessments of record approved by the office,  
12 and other liens securing debt insured under this chapter. The office  
13 may require additional agreements in security of the loan.

14 (b) The borrower obtains an American Land Title Association  
15 title insurance policy with the office designated as beneficiary,  
16 with liability equal to the amount of the loan insured under this  
17 chapter, and with additional endorsements that the office may  
18 reasonably require.

19 (c) The proceeds of the loan shall be used exclusively for the  
20 construction, improvement, or expansion of the health facility, as  
21 approved by the office under Section 129020. However, loans  
22 insured pursuant to this chapter may include loans to refinance  
23 another prior loan, whether or not state insured and without regard  
24 to the date of the prior loan, if the office determines that the amount  
25 refinanced does not exceed 90 percent of the original total  
26 construction costs and is otherwise eligible for insurance under  
27 this chapter. The office may not insure a loan for a health facility  
28 that the office determines is not needed pursuant to subdivision  
29 (k).

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

35 (e) The loan shall contain complete amortization provisions  
36 requiring periodic payments by the borrower not in excess of its  
37 reasonable ability to pay as determined by the office. The office  
38 shall permit a reasonable period of time during which the first  
39 payment to amortization may be waived on agreement by the lender  
40 and borrower. The office may, however, waive the amortization

1 requirements of this subdivision and of subdivision (g) of this  
 2 section when a term loan would be in the borrower’s best interest.

3 (f) The loan shall bear interest on the amount of the principal  
 4 obligation outstanding at any time at a rate, as negotiated by the  
 5 borrower and lender, as the office finds necessary to meet the loan  
 6 money market. As used in this chapter, “interest” does not include  
 7 premium charges for insurance and service charges if any. Where  
 8 a loan is evidenced by a bond issue of a political subdivision, the  
 9 interest thereon may be at any rate the bonds may legally bear.

10 (g) The loan shall provide for the application of the borrower’s  
 11 periodic payments to amortization of the principal of the loan.

12 (h) The loan shall contain those terms and provisions with  
 13 respect to insurance, repairs, alterations, payment of taxes and  
 14 assessments, foreclosure proceedings, anticipation of maturity,  
 15 additional and secondary liens, and other matters the office may  
 16 in its discretion prescribe.

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

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

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

25 (1) Require the applicant to describe the community needs the  
 26 facility will meet and provide data and information to substantiate  
 27 the stated needs.

28 (2) Require the applicant, if appropriate, to demonstrate  
 29 participation in the community needs assessment required by  
 30 Section 127476.

31 (3) Survey appropriate local officials and organizations to  
 32 measure perceived needs and verify the applicant’s needs  
 33 assessment.

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

36 (5) Contact other state and federal departments that provide  
 37 funding for the programs proposed by the applicant to obtain those  
 38 departments’ perspectives regarding the need for the facility.  
 39 Additionally, the office shall evaluate the potential effect of

1 proposed health care reimbursement changes on the facility's  
2 financial feasibility.

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

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

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

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

14 (2) Evaluation of the appraisal in conjunction with the book  
15 value of the acquisition by the office. When acquisitions involve  
16 additional construction, the office shall evaluate the proposed  
17 construction to determine that the costs are reasonable for the type  
18 of construction proposed. In those cases where this procedure  
19 reveals that the cost of acquisition exceeds the current value of a  
20 facility, including improvements, then the acquisition cost shall  
21 be deemed in excess of fair market value.

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

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

32 (n) The project's level of financial risk meets the criteria in  
33 Section 129051.

34 ~~SEC. 6. Section 214 of the Revenue and Taxation Code is~~  
35 ~~amended to read:~~

36 ~~214. (a) Property used exclusively for religious, hospital,~~  
37 ~~scientific, or charitable purposes owned and operated by~~  
38 ~~community chests, funds, foundations, limited liability companies,~~  
39 ~~or corporations organized and operated for religious, hospital,~~  
40 ~~scientific, or charitable purposes is exempt from taxation, including~~

1 ~~ad valorem taxes to pay the interest and redemption charges on~~  
2 ~~any indebtedness approved by the voters prior to July 1, 1978, or~~  
3 ~~any bonded indebtedness for the acquisition or improvement of~~  
4 ~~real property approved on or after July 1, 1978, by two-thirds of~~  
5 ~~the votes cast by the voters voting on the proposition, if:~~

6 ~~(1) (A) For lien dates occurring before January 1, 2015, the~~  
7 ~~owner is not organized or operated for profit. However, in the case~~  
8 ~~of hospitals, the organization shall not be deemed to be organized~~  
9 ~~or operated for profit if, during the immediately preceding fiscal~~  
10 ~~year, operating revenues, exclusive of gifts, endowments and~~  
11 ~~grants-in-aid, did not exceed operating expenses by an amount~~  
12 ~~equivalent to 10 percent of those operating expenses. As used~~  
13 ~~herein, operating expenses include depreciation based on cost of~~  
14 ~~replacement and amortization of, and interest on, indebtedness.~~

15 ~~(B) (i) For lien dates occurring on and after January 1, 2015,~~  
16 ~~the owner is not organized or operated for profit. However, in the~~  
17 ~~case of hospitals, the organization shall not be deemed to be~~  
18 ~~organized or operated for profit if, during the immediately~~  
19 ~~preceding fiscal year, it provided charity care as defined in~~  
20 ~~subdivision (b) of Section 127400 of the Health and Safety Code~~  
21 ~~in an amount equal to at least 5 percent of its net revenue. A~~  
22 ~~determination of the amount of charity care provided by a hospital~~  
23 ~~claiming exemption from taxation under this section shall be based~~  
24 ~~on the most recently completed audited financial statement for the~~  
25 ~~hospital's prior fiscal year and shall be reported each year to the~~  
26 ~~Office of Statewide Health Planning and Development and to the~~  
27 ~~State Board of Equalization in a uniform format determined by~~  
28 ~~the Office of Statewide Health Planning and Development that~~  
29 ~~itemizes the charity care provided in each of the categories within~~  
30 ~~the definition of charity care set forth in subdivision (b) of Section~~  
31 ~~127400 of the Health and Safety Code. The Office of Statewide~~  
32 ~~Health Planning and Development shall post on its Internet Web~~  
33 ~~site a complete copy of each hospital's annual report and shall~~  
34 ~~provide a report to the local tax assessor in whose jurisdiction the~~  
35 ~~hospital is located.~~

36 ~~(ii) Each hospital claiming exemption from taxation under this~~  
37 ~~section shall post a copy of the annual report required by this~~  
38 ~~paragraph on its Internet Web site and shall make copies available~~  
39 ~~to the public at its regular business office upon request. A hospital~~  
40 ~~claiming exemption from taxation under this section shall file the~~

1 annual report required by this paragraph by March 30 of each year.  
2 The State Board of Equalization may assess a fine of up to \$1,000  
3 per day for each day an annual report required by this paragraph  
4 is delinquent, provided that no fine shall be assessed until 10  
5 business days have elapsed after written notification to the hospital  
6 of its failure to file a compliant report.

7 (2) ~~No part of the net earnings of the owner inures to the benefit  
8 of any private shareholder or individual.~~

9 (3) ~~The property is used for the actual operation of the exempt  
10 activity, and does not exceed an amount of property reasonably  
11 necessary to the accomplishment of the exempt purpose.~~

12 (A) ~~For the purposes of determining whether the property is  
13 used for the actual operation of the exempt activity, consideration  
14 shall not be given to use of the property for either or both of the  
15 following described activities if that use is occasional:~~

16 (i) ~~The owner conducts fundraising activities on the property  
17 and the proceeds derived from those activities are not unrelated  
18 business taxable income, as defined in Section 512 of the Internal  
19 Revenue Code, of the owner and are used to further the exempt  
20 activity of the owner.~~

21 (ii) ~~The owner permits any other organization that meets all of  
22 the requirements of this subdivision, other than ownership of the  
23 property, to conduct fundraising activities on the property and the  
24 proceeds derived from those activities are not unrelated business  
25 taxable income, as defined in Section 512 of the Internal Revenue  
26 Code, of the organization, are not subject to the tax on unrelated  
27 business taxable income that is imposed by Section 511 of the  
28 Internal Revenue Code, and are used to further the exempt activity  
29 of the organization.~~

30 (B) ~~For purposes of subparagraph (A):~~

31 (i) ~~“Occasional use” means use of the property on an irregular  
32 or intermittent basis by the qualifying owner or any other qualifying  
33 organization described in clause (ii) of subparagraph (A) that is  
34 incidental to the primary activities of the owner or the other  
35 organization.~~

36 (ii) ~~“Fundraising activities” means both activities involving the  
37 direct solicitation of money or other property and the anticipated  
38 exchange of goods or services for money between the soliciting  
39 organization and the organization or person solicited.~~

1 ~~(C) Subparagraph (A) shall have no application in determining~~  
2 ~~whether paragraph (3) has been satisfied unless the owner of the~~  
3 ~~property and any other organization using the property as provided~~  
4 ~~in subparagraph (A) have filed with the assessor a valid~~  
5 ~~organizational clearance certificate issued pursuant to Section~~  
6 ~~254.6.~~

7 ~~(D) For the purposes of determining whether the property is~~  
8 ~~used for the actual operation of the exempt activity, consideration~~  
9 ~~shall not be given to the use of the property for meetings conducted~~  
10 ~~by any other organization if the meetings are incidental to the other~~  
11 ~~organization's primary activities, are not fundraising meetings or~~  
12 ~~activities as defined in subparagraph (B), are held no more than~~  
13 ~~once per week, and the other organization and its use of the~~  
14 ~~property meet all other requirements of paragraphs (1) to (5),~~  
15 ~~inclusive, of this subdivision. The owner or the other organization~~  
16 ~~also shall file with the assessor a copy of a valid, unrevoked letter~~  
17 ~~or ruling from the Internal Revenue Service or the Franchise Tax~~  
18 ~~Board stating that the other organization, or the national~~  
19 ~~organization of which it is a local chapter or affiliate, qualifies as~~  
20 ~~an exempt organization under Section 501(c)(3) or 501(c)(4) of~~  
21 ~~the Internal Revenue Code or Section 23701d, 23701f, or 23701w.~~

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

26 ~~(4) The property is not used or operated by the owner or by any~~  
27 ~~other person so as to benefit any officer, trustee, director,~~  
28 ~~shareholder, member, employee, contributor, or bondholder of the~~  
29 ~~owner or operator, or any other person, through the distribution~~  
30 ~~of profits, payment of excessive charges or compensations, or the~~  
31 ~~more advantageous pursuit of their business or profession.~~

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

36 ~~(6) The property is irrevocably dedicated to religious, charitable,~~  
37 ~~scientific, or hospital purposes and upon the liquidation,~~  
38 ~~dissolution, or abandonment of the owner will not inure to the~~  
39 ~~benefit of any private person except a fund, foundation, or~~

1 corporation organized and operated for religious, hospital,  
2 scientific, or charitable purposes.

3 (7) The property, if used exclusively for scientific purposes, is  
4 used by a foundation or institution that, in addition to complying  
5 with the foregoing requirements for the exemption of charitable  
6 organizations in general, has been chartered by the Congress of  
7 the United States (except that this requirement shall not apply  
8 when the scientific purposes are medical research), and whose  
9 objects are the encouragement or conduct of scientific  
10 investigation, research, and discovery for the benefit of the  
11 community at large.

12 The exemption provided for herein shall be known as the  
13 “welfare exemption.” This exemption shall be in addition to any  
14 other exemption now provided by law, and the existence of the  
15 exemption provision in paragraph (2) of subdivision (a) of Section  
16 202 shall not preclude the exemption under this section for museum  
17 or library property. Except as provided in subdivision (e), this  
18 section shall not be construed to enlarge the college exemption.

19 (b) Property used exclusively for school purposes of less than  
20 collegiate grade and owned and operated by religious, hospital, or  
21 charitable funds, foundations, limited liability companies, or  
22 corporations, which property and funds, foundations, limited  
23 liability companies, or corporations meet all of the requirements  
24 of subdivision (a), shall be deemed to be within the exemption  
25 provided for in subdivision (b) of Section 4 and Section 5 of Article  
26 XIII of the California Constitution and this section.

27 (e) Property used exclusively for nursery school purposes and  
28 owned and operated by religious, hospital, or charitable funds,  
29 foundations, limited liability companies, or corporations, which  
30 property and funds, foundations, limited liability companies, or  
31 corporations meet all the requirements of subdivision (a), shall be  
32 deemed to be within the exemption provided for in subdivision  
33 (b) of Section 4 and Section 5 of Article XIII of the California  
34 Constitution and this section.

35 (d) Property used exclusively for a noncommercial educational  
36 FM broadcast station or an educational television station, and  
37 owned and operated by religious, hospital, scientific, or charitable  
38 funds, foundations, limited liability companies, or corporations  
39 meeting all of the requirements of subdivision (a), shall be deemed  
40 to be within the exemption provided for in subdivision (b) of

1 Section 4 and Section 5 of Article XIII of the California  
2 Constitution and this section.

3 (e) Property used exclusively for religious, charitable, scientific,  
4 or hospital purposes and owned and operated by religious, hospital,  
5 scientific, or charitable funds, foundations, limited liability  
6 companies, or corporations or educational institutions of collegiate  
7 grade, as defined in Section 203, which property and funds,  
8 foundations, limited liability companies, corporations, or  
9 educational institutions meet all of the requirements of subdivision  
10 (a), shall be deemed to be within the exemption provided for in  
11 subdivision (b) of Section 4 and Section 5 of Article XIII of the  
12 California Constitution and this section. As to educational  
13 institutions of collegiate grade, as defined in Section 203, the  
14 requirements of paragraph (6) of subdivision (a) shall be deemed  
15 to be met if both of the following are met:

16 (1) The property of the educational institution is irrevocably  
17 dedicated in its articles of incorporation to charitable and  
18 educational purposes, to religious and educational purposes, or to  
19 educational purposes.

20 (2) The articles of incorporation of the educational institution  
21 provide for distribution of its property upon its liquidation,  
22 dissolution, or abandonment to a fund, foundation, or corporation  
23 organized and operated for religious, hospital, scientific, charitable,  
24 or educational purposes meeting the requirements for exemption  
25 provided by Section 203 or this section.

26 (f) Property used exclusively for housing and related facilities  
27 for elderly or handicapped families and financed by, including,  
28 but not limited to, the federal government pursuant to Section 202  
29 of Public Law 86-372 (12 U.S.C. Sec. 1701q), as amended, Section  
30 231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of  
31 Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of  
32 Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and  
33 operated by religious, hospital, scientific, or charitable funds,  
34 foundations, limited liability companies, or corporations meeting  
35 all of the requirements of this section shall be deemed to be within  
36 the exemption provided for in subdivision (b) of Section 4 and  
37 Section 5 of Article XIII of the California Constitution and this  
38 section.

39 The amendment of this paragraph made by Chapter 1102 of the  
40 Statutes of 1984 does not constitute a change in, but is declaratory

1 of, existing law. However, no refund of property taxes shall be  
2 required as a result of this amendment for any fiscal year prior to  
3 the fiscal year in which the amendment takes effect.

4 Property used exclusively for housing and related facilities for  
5 elderly or handicapped families at which supplemental care or  
6 services designed to meet the special needs of elderly or  
7 handicapped residents are not provided, or that is not financed by  
8 the federal government pursuant to Section 202 of Public Law  
9 86-372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public  
10 Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law  
11 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law  
12 101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption  
13 pursuant to this subdivision unless the property is used for housing  
14 and related facilities for low- and moderate-income elderly or  
15 handicapped families. Property that would otherwise be exempt  
16 pursuant to this subdivision, except that it includes some housing  
17 and related facilities for other than low- or moderate-income elderly  
18 or handicapped families, shall be entitled to a partial exemption.  
19 The partial exemption shall be equal to that percentage of the value  
20 of the property that is equal to the percentage that the number of  
21 low- and moderate-income elderly and handicapped families  
22 occupying the property represents of the total number of families  
23 occupying the property.

24 As used in this subdivision, “low and moderate income” has the  
25 same meaning as the term “persons and families of low or moderate  
26 income” as defined by Section 50093 of the Health and Safety  
27 Code.

28 (g) (1) Property used exclusively for rental housing and related  
29 facilities and owned and operated by religious, hospital, scientific,  
30 or charitable funds, foundations, limited liability companies, or  
31 corporations, including limited partnerships in which the managing  
32 general partner is an eligible nonprofit corporation or eligible  
33 limited liability company, meeting all of the requirements of this  
34 section, or by veterans’ organizations, as described in Section  
35 215.1, meeting all the requirements of paragraphs (1) to (7),  
36 inclusive, of subdivision (a), shall be deemed to be within the  
37 exemption provided for in subdivision (b) of Section 4 and Section  
38 5 of Article XIII of the California Constitution and this section  
39 and shall be entitled to a partial exemption equal to that percentage  
40 of the value of the property that the portion of the property serving

1 lower income households represents of the total property in any  
2 year in which any of the following criteria applies:

3 (A) The acquisition, rehabilitation, development, or operation  
4 of the property, or any combination of these factors, is financed  
5 with tax-exempt mortgage revenue bonds or general obligation  
6 bonds, or is financed by local, state, or federal loans or grants and  
7 the rents of the occupants who are lower income households do  
8 not exceed those prescribed by deed restrictions or regulatory  
9 agreements pursuant to the terms of the financing or financial  
10 assistance.

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

14 (C) In the case of a claim, other than a claim with respect to  
15 property owned by a limited partnership in which the managing  
16 general partner is an eligible nonprofit corporation, that is filed  
17 for the 2000–01 fiscal year or any fiscal year thereafter, 90 percent  
18 or more of the occupants of the property are lower income  
19 households whose rent does not exceed the rent prescribed by  
20 Section 50053 of the Health and Safety Code. The total exemption  
21 amount allowed under this subdivision to a taxpayer, with respect  
22 to a single property or multiple properties for any fiscal year on  
23 the sole basis of the application of this subparagraph, may not  
24 exceed twenty thousand dollars (\$20,000) of tax.

25 (D) (i) The property was previously purchased and owned by  
26 the Department of Transportation pursuant to a consent decree  
27 requiring housing mitigation measures relating to the construction  
28 of a freeway and is now solely owned by an organization that  
29 qualifies as an exempt organization under Section 501(c)(3) of the  
30 Internal Revenue Code.

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

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

37 (A) (i) For any claim filed for the 2000–01 fiscal year or any  
38 fiscal year thereafter, certify and ensure, subject to the limitation  
39 in clause (ii), that there is an enforceable and verifiable agreement  
40 with a public agency, a recorded deed restriction, or other legal

1 document that restricts the project's usage and that provides that  
2 the units designated for use by lower income households are  
3 continuously available to or occupied by lower income households  
4 at rents that do not exceed those prescribed by Section 50053 of  
5 the Health and Safety Code, or, to the extent that the terms of  
6 federal, state, or local financing or financial assistance conflicts  
7 with Section 50053, rents that do not exceed those prescribed by  
8 the terms of the financing or financial assistance.

9 (ii) In the case of a limited partnership in which the managing  
10 general partner is an eligible nonprofit corporation, the restriction  
11 and provision specified in clause (i) shall be contained in an  
12 enforceable and verifiable agreement with a public agency, or in  
13 a recorded deed restriction to which the limited partnership  
14 certifies.

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

19 (3) As used in this subdivision, "lower income households" has  
20 the same meaning as the term "lower income households" as  
21 defined by Section 50079.5 of the Health and Safety Code.

22 (h) Property used exclusively for an emergency or temporary  
23 shelter and related facilities for homeless persons and families and  
24 owned and operated by religious, hospital, scientific, or charitable  
25 funds, foundations, limited liability companies, or corporations  
26 meeting all of the requirements of this section shall be deemed to  
27 be within the exemption provided for in subdivision (b) of Section  
28 4 and Section 5 of Article XIII of the California Constitution and  
29 this section. Property that otherwise would be exempt pursuant to  
30 this subdivision, except that it includes housing and related  
31 facilities for other than an emergency or temporary shelter, shall  
32 be entitled to a partial exemption.

33 As used in this subdivision, "emergency or temporary shelter"  
34 means a facility that would be eligible for funding pursuant to  
35 Chapter 11 (commencing with Section 50800) of Part 2 of Division  
36 31 of the Health and Safety Code.

37 (i) Property used exclusively for housing and related facilities  
38 for employees of religious, charitable, scientific, or hospital  
39 organizations that meet all the requirements of subdivision (a) and  
40 owned and operated by funds, foundations, limited liability

1 companies, or corporations that meet all the requirements of  
2 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 to the extent  
5 the residential use of the property is institutionally necessary for  
6 the operation of the organization.

7 (j) For purposes of this section, charitable purposes include  
8 educational purposes. For purposes of this subdivision,  
9 “educational purposes” means those educational purposes and  
10 activities for the benefit of the community as a whole or an  
11 unascertainable and indefinite portion thereof, and do not include  
12 those educational purposes and activities that are primarily for the  
13 benefit of an organization’s shareholders. Educational activities  
14 include the study of relevant information, the dissemination of that  
15 information to interested members of the general public, and the  
16 participation of interested members of the general public.

17 (k) In the case of property used exclusively for the exempt  
18 purposes specified in this section, owned and operated by limited  
19 liability companies that are organized and operated for those  
20 purposes, the State Board of Equalization shall adopt regulations  
21 to specify the ownership, organizational, and operational  
22 requirements for those companies to qualify for the exemption  
23 provided by this section.

24 (l) The amendments made by Chapter 354 of the Statutes of  
25 2004 shall apply with respect to lien dates occurring on and after  
26 January 1, 2005.

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

29 214.9. (a) (1) For lien dates occurring before January 1, 2015,  
30 for the purposes of Section 214, a “hospital” includes an outpatient  
31 clinic, whether or not patients are admitted for overnight stay or  
32 longer, where the clinic furnishes or provides psychiatric services  
33 for emotionally disturbed children, or where the clinic is a nonprofit  
34 multispecialty clinic of the type described in subdivision (l) of  
35 Section 1206 of the Health and Safety Code, so long as the  
36 multispecialty clinic does not reduce the level of charitable or  
37 subsidized activities it provides as a proportion of its total activities.

38 (2) (A) For lien dates occurring on and after January 1, 2015,  
39 for the purposes of Section 214, a “hospital” includes an outpatient  
40 clinic, whether or not patients are admitted for overnight stay or

1 longer, where the clinic furnishes or provides psychiatric services  
2 for emotionally disturbed children, or where the clinic is a nonprofit  
3 multispecialty clinic of the type described in subdivision (l) of  
4 Section 1206 of the Health and Safety Code, so long as during the  
5 immediately preceding fiscal year, the nonprofit multispecialty  
6 clinic provided charity care as defined in subdivision (b) of Section  
7 127400 of the Health and Safety Code in an amount equal to at  
8 least 5 percent of its net revenues. A determination of the amount  
9 of charity care provided by a nonprofit multispecialty clinic  
10 claiming exemption from taxation under Section 214 shall be based  
11 on the most recently completed audited financial statement for the  
12 nonprofit multispecialty clinic's prior fiscal year and shall be  
13 reported each year to the Office of Statewide Health Planning and  
14 Development and to the State Board of Equalization in a uniform  
15 format determined by the Office of Statewide Health Planning and  
16 Development that itemizes the charity care provided in each of the  
17 categories within the definition of charity care set forth in  
18 subdivision (b) of Section 127400 of the Health and Safety Code.  
19 The Office of Statewide Health Planning and Development shall  
20 post on its Internet Web site a complete copy of each nonprofit  
21 multispecialty clinic's annual report and shall provide a report to  
22 the local tax assessor in whose jurisdiction the nonprofit  
23 multispecialty clinic is located.

24 (B) ~~Each nonprofit multispecialty clinic hospital claiming~~  
25 ~~exemption from taxation under Section 214 shall post a copy of~~  
26 ~~the annual report required by this paragraph on its Internet Web~~  
27 ~~site and shall make copies available to the public at its regular~~  
28 ~~business office upon request. A nonprofit multispecialty clinic~~  
29 ~~claiming exemption from taxation under Section 214 shall file the~~  
30 ~~annual report required by this paragraph by March 30 of each year.~~  
31 ~~The State Board of Equalization may assess a fine of up to \$1,000~~  
32 ~~per day for each day an annual report required by this paragraph~~  
33 ~~is delinquent, provided that no fine shall be assessed until 10~~  
34 ~~business days have elapsed after written notification to the~~  
35 ~~nonprofit multispecialty clinic hospital of its failure to file a~~  
36 ~~compliant report.~~

37 (b) For purposes of this section, a "hospital" does not include  
38 those portions of an outpatient clinic which may be leased or rented  
39 to a physician for an office for the general practice of medicine.

1 SEC. 8. ~~Section 23701d of the Revenue and Taxation Code is~~  
2 ~~amended to read:~~

3 ~~23701d. (a) A corporation, community chest or trust, organized~~  
4 ~~and operated exclusively for religious, charitable, scientific, testing~~  
5 ~~for public safety, literary, or educational purposes, or to foster~~  
6 ~~national or international amateur sports competition (but only if~~  
7 ~~no part of its activities involved the provision of athletic facilities~~  
8 ~~or equipment), or for the prevention of cruelty to children or~~  
9 ~~animals, no part of the net earnings of which inures to the benefit~~  
10 ~~of any private shareholder or individual, no substantial part of the~~  
11 ~~activities of which is carrying on propaganda or otherwise~~  
12 ~~attempting to influence legislation, (except as otherwise provided~~  
13 ~~in Section 23704.5), and which does not participate in, or intervene~~  
14 ~~in (including the publishing or distribution of statements), any~~  
15 ~~political campaign on behalf of (or in opposition to) any candidate~~  
16 ~~for public office. An organization is not organized exclusively for~~  
17 ~~exempt purposes listed above unless its assets are irrevocably~~  
18 ~~dedicated to one or more purposes listed in this section. Dedication~~  
19 ~~of assets requires that in the event of dissolution of an organization~~  
20 ~~or the impossibility of performing the specific organizational~~  
21 ~~purposes the assets would continue to be devoted to exempt~~  
22 ~~purposes. Assets shall be deemed irrevocably dedicated to exempt~~  
23 ~~purposes if the articles of organization provide that upon~~  
24 ~~dissolution the assets will be distributed to an organization which~~  
25 ~~is exempt under this section or Section 501(c)(3) of the Internal~~  
26 ~~Revenue Code or to the federal government, or to a state or local~~  
27 ~~government for public purposes; or by a provision in the articles~~  
28 ~~of organization, satisfactory to the Franchise Tax Board; that the~~  
29 ~~property will be distributed in trust for exempt purposes; or by~~  
30 ~~establishing that the assets are irrevocably dedicated to exempt~~  
31 ~~purposes by operation of law. The irrevocable dedication~~  
32 ~~requirement shall not be a sole basis for revocation of an exempt~~  
33 ~~determination made by the Franchise Tax Board prior to the~~  
34 ~~effective date of this amendment.~~

35 ~~(b) (1) In the case of a qualified amateur sports organization—~~  
36 ~~(A) The requirement of subdivision (a) that no part of its~~  
37 ~~activities involves the provision of athletic facilities or equipment~~  
38 ~~shall not apply.~~

1 ~~(B) That organization shall not fail to meet the requirements of~~  
2 ~~subdivision (a) merely because its membership is local or regional~~  
3 ~~in nature.~~

4 ~~(2) For purposes of this subdivision, “qualified amateur sports~~  
5 ~~organization” means any organization organized and operated~~  
6 ~~exclusively to foster national or international amateur sports~~  
7 ~~competition if that organization is also organized and operated~~  
8 ~~primarily to conduct national or international competition in sports~~  
9 ~~or to support and develop amateur athletes for national or~~  
10 ~~international competition in sports.~~

11 ~~(c) For taxable years beginning on and after January 1, 2015,~~  
12 ~~notwithstanding subdivision (a) or any other law, a nonprofit~~  
13 ~~hospital as defined in subdivision (i) of Section 127472 of the~~  
14 ~~Health and Safety Code that is organized and operated within~~  
15 ~~subdivision (a) shall additionally meet the following requirements~~  
16 ~~in order to be exempt under Section 23701:~~

17 ~~(1) In the immediately preceding fiscal year, the nonprofit~~  
18 ~~hospital provided charity care, as defined in subdivision (b) of~~  
19 ~~Section 127400 of the Health and Safety Code, in an amount equal~~  
20 ~~to at least 5 percent of its net revenues. A determination of the~~  
21 ~~amount of charity care provided by the nonprofit hospital shall be~~  
22 ~~based on the most recently completed audited financial statement~~  
23 ~~for the nonprofit hospital’s prior fiscal year and shall be reported~~  
24 ~~each year to the Office of Statewide Health Planning and~~  
25 ~~Development and to the State Board of Equalization in a uniform~~  
26 ~~format determined by the Office of Statewide Health Planning and~~  
27 ~~Development that itemizes the charity care provided in each of the~~  
28 ~~categories within the definition of charity care set forth in~~  
29 ~~subdivision (b) of Section 127400 of the Health and Safety Code.~~  
30 ~~The Office of Statewide Health Planning and Development shall~~  
31 ~~post on its Internet Web site a complete copy of each nonprofit~~  
32 ~~hospital’s annual report and shall provide a report to the local tax~~  
33 ~~assessor in whose jurisdiction the nonprofit hospital is located.~~

34 ~~(2) The nonprofit hospital shall post a copy of the annual report~~  
35 ~~required by this subdivision on its Internet Web site and shall make~~  
36 ~~copies available to the public at its regular business office upon~~  
37 ~~request. The nonprofit hospital shall file the annual report required~~  
38 ~~by this subdivision by March 30 of each year. The State Board of~~  
39 ~~Equalization may assess a fine of up to \$1,000 per day for each~~  
40 ~~day an annual report required by this subdivision is delinquent,~~

1 provided that a fine shall not be assessed until 10 business days  
2 have elapsed after written notification to the nonprofit hospital of  
3 its failure to file a compliant report.

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

10 (1) In the immediately preceding fiscal year, the nonprofit  
11 multispecialty clinic provided charity care, as defined in  
12 subdivision (b) of Section 127400 of the Health and Safety Code,  
13 in an amount equal to at least 5 percent of its net revenues. A  
14 determination of the amount of charity care provided by the  
15 nonprofit multispecialty clinic shall be based on the most recently  
16 completed audited financial statement for the nonprofit  
17 multispecialty clinic's prior fiscal year and shall be reported each  
18 year to the Office of Statewide Health Planning and Development  
19 and to the State Board of Equalization in a uniform format  
20 determined by the Office of Statewide Health Planning and  
21 Development that itemizes the charity care provided in each of the  
22 categories within the definition of charity care set forth in  
23 subdivision (b) of Section 127400 of the Health and Safety Code.  
24 The Office of Statewide Health Planning and Development shall  
25 post on its Internet Web site a complete copy of each nonprofit  
26 multispecialty clinic's annual report and shall provide a report to  
27 the local tax assessor in whose jurisdiction the nonprofit  
28 multispecialty clinic is located.

29 (2) The nonprofit multispecialty clinic shall post a copy of the  
30 annual report required by this subdivision on its Internet Web site  
31 and shall make copies available to the public at its regular business  
32 office upon request. The nonprofit multispecialty clinic shall file  
33 the annual report required by this subdivision by March 30 of each  
34 year. The State Board of Equalization may assess a fine of up to  
35 \$1,000 per day for each day an annual report required by this  
36 subdivision is delinquent, provided a fine shall not be assessed  
37 until 10 business days have elapsed after written notification to  
38 the nonprofit multispecialty clinic of its failure to file a compliant  
39 report.

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

7 ~~(A) A copy of the determination letter or ruling issued by the~~  
8 ~~Internal Revenue Service recognizing the organization's exemption~~  
9 ~~from federal income tax under Section 501(a) of the Internal~~  
10 ~~Revenue Code, as an organization described in Section 501(c)(3)~~  
11 ~~of the Internal Revenue Code.~~

12 ~~(B) A copy of the group exemption letter issued by the Internal~~  
13 ~~Revenue Service that states that both the central organization and~~  
14 ~~all of its subordinates are tax-exempt under Section 501(c)(3) of~~  
15 ~~the Internal Revenue Code and substantiation that the organization~~  
16 ~~is included in the federal group exemption letter as a subordinate~~  
17 ~~organization.~~

18 ~~(2) Upon receipt of the documents required in subparagraph~~  
19 ~~(A) or (B) of paragraph (1), the Franchise Tax Board shall issue~~  
20 ~~an acknowledgment that the organization is exempt from taxes~~  
21 ~~imposed by this part, except as provided in this article or in Article~~  
22 ~~2 (commencing with Section 23731). The acknowledgment may~~  
23 ~~refer to the organization's recognition by the Internal Revenue~~  
24 ~~Service of exemption from federal income tax as an organization~~  
25 ~~described in Section 501(c)(3) of the Internal Revenue Code and,~~  
26 ~~if applicable, the organization's subordinate organization status~~  
27 ~~under a federal group exemption letter. The effective date of an~~  
28 ~~organization's exemption from state income tax pursuant to this~~  
29 ~~subdivision shall be no later than the effective date of the~~  
30 ~~organization's recognition of exemption from federal income tax~~  
31 ~~as an organization described in Section 501(c)(3) of the Internal~~  
32 ~~Revenue Code, or its status as a subordinate organization under a~~  
33 ~~federal group exemption letter, as applicable.~~

34 ~~(3) If, for federal income tax purposes, an organization's~~  
35 ~~exemption from tax as an organization described in Section~~  
36 ~~501(c)(3) of the Internal Revenue Code is suspended or revoked,~~  
37 ~~the organization shall notify the Franchise Tax Board of the~~  
38 ~~suspension or revocation, in the form and manner prescribed by~~  
39 ~~the Franchise Tax Board. Upon notification, the board shall~~  
40 ~~suspend or revoke, whichever is applicable, for state income tax~~

1 purposes, the organization's exemption under paragraph (1) of this  
2 subdivision:

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

7 ~~(5) If the Franchise Tax Board suspends or revokes the~~  
8 ~~exemption of an organization pursuant to paragraph (3) or (4), the~~  
9 ~~exemption shall be reinstated only upon compliance with Section~~  
10 ~~23701, regardless of whether the organization can establish~~  
11 ~~exemption under paragraph (1).~~

12 ~~(f) The Franchise Tax Board may prescribe rules and regulations~~  
13 ~~to implement this section.~~

14 ~~SEC. 9. If the Commission on State Mandates determines that~~  
15 ~~this act contains costs mandated by the state, reimbursement to~~  
16 ~~local agencies and school districts for those costs shall be made~~  
17 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~  
18 ~~4 of Title 2 of the Government Code.~~

19 *SEC. 6. Section 214 of the Revenue and Taxation Code is*  
20 *amended to read:*

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

31 (1) The owner is not organized or operated for profit. ~~However,~~  
32 ~~in~~

33 (A) *In* the case of hospitals, the organization shall not be deemed  
34 to be organized or operated for profit if, during the immediately  
35 preceding fiscal year, operating revenues, exclusive of gifts,  
36 endowments, and grants-in-aid, did not exceed operating expenses  
37 by an amount equivalent to 10 percent of those operating expenses.  
38 As used herein, operating expenses include depreciation based on  
39 cost of replacement and amortization of, and interest on,  
40 indebtedness.

1 (B) *In the case of hospitals, the organization shall be rebuttably*  
2 *presumed to be organized or operated for profit if, during the*  
3 *immediately preceding fiscal year, operating revenues, exclusive*  
4 *of gifts, endowments and grants-in-aid, exceed operating expenses*  
5 *by an amount equivalent to more than 10 percent of those operating*  
6 *expenses. As used herein, operating expenses include depreciation*  
7 *based on cost of replacement and amortization of, and interest on,*  
8 *indebtedness.*

9 (2) No part of the net earnings of the owner inures to the benefit  
10 of any private shareholder or individual.

11 (3) The property is used for the actual operation of the exempt  
12 activity, and does not exceed an amount of property reasonably  
13 necessary to the accomplishment of the exempt purpose.

14 (A) For the purposes of determining whether the property is  
15 used for the actual operation of the exempt activity, consideration  
16 shall not be given to use of the property for either or both of the  
17 following described activities if that use is occasional:

18 (i) The owner conducts fundraising activities on the property  
19 and the proceeds derived from those activities are not unrelated  
20 business taxable income, as defined in Section 512 of the Internal  
21 Revenue Code, of the owner and are used to further the exempt  
22 activity of the owner.

23 (ii) The owner permits any other organization that meets all of  
24 the requirements of this subdivision, other than ownership of the  
25 property, to conduct fundraising activities on the property and the  
26 proceeds derived from those activities are not unrelated business  
27 taxable income, as defined in Section 512 of the Internal Revenue  
28 Code, of the organization, are not subject to the tax on unrelated  
29 business taxable income that is imposed by Section 511 of the  
30 Internal Revenue Code, and are used to further the exempt activity  
31 of the organization.

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

33 (i) “Occasional use” means use of the property on an irregular  
34 or intermittent basis by the qualifying owner or any other qualifying  
35 organization described in clause (ii) of subparagraph (A) that is  
36 incidental to the primary activities of the owner or the other  
37 organization.

38 (ii) “Fundraising activities” means both activities involving the  
39 direct solicitation of money or other property and the anticipated

1 exchange of goods or services for money between the soliciting  
2 organization and the organization or person solicited.

3 (C) Subparagraph (A) shall have no application in determining  
4 whether paragraph (3) has been satisfied unless the owner of the  
5 property and any other organization using the property as provided  
6 in subparagraph (A) have filed with the assessor a valid  
7 organizational clearance certificate issued pursuant to Section  
8 254.6.

9 (D) For the purposes of determining whether the property is  
10 used for the actual operation of the exempt activity, consideration  
11 shall not be given to the use of the property for meetings conducted  
12 by any other organization if the meetings are incidental to the other  
13 organization's primary activities, are not fundraising meetings or  
14 activities as defined in subparagraph (B), are held no more than  
15 once per week, and the other organization and its use of the  
16 property meet all other requirements of paragraphs (1) to (5),  
17 inclusive, of this subdivision. The owner or the other organization  
18 also shall file with the assessor a copy of a valid, unrevoked letter  
19 or ruling from the Internal Revenue Service or the Franchise Tax  
20 Board stating that the other organization, or the national  
21 organization of which it is a local chapter or affiliate, qualifies as  
22 an exempt organization under Section 501(c)(3) or 501(c)(4) of  
23 the Internal Revenue Code or Section 23701d, 23701f, or 23701w.

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

28 (4) The property is not used or operated by the owner or by any  
29 other person so as to benefit any officer, trustee, director,  
30 shareholder, member, employee, contributor, or bondholder of the  
31 owner or operator, or any other person, through the distribution  
32 of profits, payment of excessive charges or compensations, or the  
33 more advantageous pursuit of their business or profession.

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

38 (6) The property is irrevocably dedicated to religious, charitable,  
39 scientific, or hospital purposes and upon the liquidation,  
40 dissolution, or abandonment of the owner will not inure to the

1 benefit of any private person except a fund, foundation, or  
2 corporation organized and operated for religious, hospital,  
3 scientific, or charitable purposes.

4 (7) The property, if used exclusively for scientific purposes, is  
5 used by a foundation or institution that, in addition to complying  
6 with the foregoing requirements for the exemption of charitable  
7 organizations in general, has been chartered by the Congress of  
8 the United States (except that this requirement shall not apply  
9 when the scientific purposes are medical research), and whose  
10 objects are the encouragement or conduct of scientific  
11 investigation, research, and discovery for the benefit of the  
12 community at large.

13 The exemption provided for herein shall be known as the  
14 “welfare exemption.” This exemption shall be in addition to any  
15 other exemption now provided by law, and the existence of the  
16 exemption provision in paragraph (2) of subdivision (a) of Section  
17 202 shall not preclude the exemption under this section for museum  
18 or library property. Except as provided in subdivision (e), this  
19 section shall not be construed to enlarge the college exemption.

20 (b) Property used exclusively for school purposes of less than  
21 collegiate grade and owned and operated by religious, hospital, or  
22 charitable funds, foundations, limited liability companies, or  
23 corporations, which property and funds, foundations, limited  
24 liability companies, or corporations meet all of the requirements  
25 of subdivision (a), shall be deemed to be within the exemption  
26 provided for in subdivision (b) of Section 4 and Section 5 of Article  
27 XIII of the California Constitution and this section.

28 (c) Property used exclusively for nursery school purposes and  
29 owned and operated by religious, hospital, or charitable funds,  
30 foundations, limited liability companies, or corporations, which  
31 property and funds, foundations, limited liability companies, or  
32 corporations meet all the requirements of subdivision (a), shall be  
33 deemed to be within the exemption provided for in subdivision  
34 (b) of Section 4 and Section 5 of Article XIII of the California  
35 Constitution and this section.

36 (d) Property used exclusively for a noncommercial educational  
37 FM broadcast station or an educational television station, and  
38 owned and operated by religious, hospital, scientific, or charitable  
39 funds, foundations, limited liability companies, or corporations  
40 meeting all of the requirements of subdivision (a), shall be deemed

1 to be within the exemption provided for in subdivision (b) of  
2 Section 4 and Section 5 of Article XIII of the California  
3 Constitution and this section.

4 (e) Property used exclusively for religious, charitable, scientific,  
5 or hospital purposes and owned and operated by religious, hospital,  
6 scientific, or charitable funds, foundations, limited liability  
7 companies, or corporations or educational institutions of collegiate  
8 grade, as defined in Section 203, which property and funds,  
9 foundations, limited liability companies, corporations, or  
10 educational institutions meet all of the requirements of subdivision  
11 (a), shall be deemed to be within the exemption provided for in  
12 subdivision (b) of Section 4 and Section 5 of Article XIII of the  
13 California Constitution and this section. As to educational  
14 institutions of collegiate grade, as defined in Section 203, the  
15 requirements of paragraph (6) of subdivision (a) shall be deemed  
16 to be met if both of the following are met:

17 (1) The property of the educational institution is irrevocably  
18 dedicated in its articles of incorporation to charitable and  
19 educational purposes, to religious and educational purposes, or to  
20 educational purposes.

21 (2) The articles of incorporation of the educational institution  
22 provide for distribution of its property upon its liquidation,  
23 dissolution, or abandonment to a fund, foundation, or corporation  
24 organized and operated for religious, hospital, scientific, charitable,  
25 or educational purposes meeting the requirements for exemption  
26 provided by Section 203 or this section.

27 (f) Property used exclusively for housing and related facilities  
28 for elderly or handicapped families and financed by, including,  
29 but not limited to, the federal government pursuant to Section 202  
30 of Public Law 86-372 (12 U.S.C. Sec. 1701q), as amended, Section  
31 231 of Public Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of  
32 Public Law 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of  
33 Public Law 101-625 (42 U.S.C. Sec. 8013), and owned and  
34 operated by religious, hospital, scientific, or charitable funds,  
35 foundations, limited liability companies, or corporations meeting  
36 all of the requirements of this section shall be deemed to be within  
37 the exemption provided for in subdivision (b) of Section 4 and  
38 Section 5 of Article XIII of the California Constitution and this  
39 section.

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

6 Property used exclusively for housing and related facilities for  
7 elderly or handicapped families at which supplemental care or  
8 services designed to meet the special needs of elderly or  
9 handicapped residents are not provided, or that is not financed by  
10 the federal government pursuant to Section 202 of Public Law  
11 86-372 (12 U.S.C. Sec. 1701q), as amended, Section 231 of Public  
12 Law 73-479 (12 U.S.C. Sec. 1715v), Section 236 of Public Law  
13 90-448 (12 U.S.C. Sec. 1715z), or Section 811 of Public Law  
14 101-625 (42 U.S.C. Sec. 8013), shall not be entitled to exemption  
15 pursuant to this subdivision unless the property is used for housing  
16 and related facilities for low- and moderate-income elderly or  
17 handicapped families. Property that would otherwise be exempt  
18 pursuant to this subdivision, except that it includes some housing  
19 and related facilities for other than low- or moderate-income elderly  
20 or handicapped families, shall be entitled to a partial exemption.  
21 The partial exemption shall be equal to that percentage of the value  
22 of the property that is equal to the percentage that the number of  
23 low- and moderate-income elderly and handicapped families  
24 occupying the property represents of the total number of families  
25 occupying the property.

26 As used in this subdivision, “low and moderate income” has the  
27 same meaning as the term “persons and families of low or moderate  
28 income” as defined by Section 50093 of the Health and Safety  
29 Code.

30 (g) (1) Property used exclusively for rental housing and related  
31 facilities and owned and operated by religious, hospital, scientific,  
32 or charitable funds, foundations, limited liability companies, or  
33 corporations, including limited partnerships in which the managing  
34 general partner is an eligible nonprofit corporation or eligible  
35 limited liability company, meeting all of the requirements of this  
36 section, or by veterans’ organizations, as described in Section  
37 215.1, meeting all the requirements of paragraphs (1) to (7),  
38 inclusive, of subdivision (a), shall be deemed to be within the  
39 exemption provided for in subdivision (b) of Section 4 and Section  
40 5 of Article XIII of the California Constitution and this section

1 and shall be entitled to a partial exemption equal to that percentage  
2 of the value of the property that the portion of the property serving  
3 lower income households represents of the total property in any  
4 year in which any of the following criteria applies:

5 (A) The acquisition, rehabilitation, development, or operation  
6 of the property, or any combination of these factors, is financed  
7 with tax-exempt mortgage revenue bonds or general obligation  
8 bonds, or is financed by local, state, or federal loans or grants and  
9 the rents of the occupants who are lower income households do  
10 not exceed those prescribed by deed restrictions or regulatory  
11 agreements pursuant to the terms of the financing or financial  
12 assistance.

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

16 (C) In the case of a claim, other than a claim with respect to  
17 property owned by a limited partnership in which the managing  
18 general partner is an eligible nonprofit corporation, that is filed  
19 for the 2000–01 fiscal year or any fiscal year thereafter, 90 percent  
20 or more of the occupants of the property are lower income  
21 households whose rent does not exceed the rent prescribed by  
22 Section 50053 of the Health and Safety Code. The total exemption  
23 amount allowed under this subdivision to a taxpayer, with respect  
24 to a single property or multiple properties for any fiscal year on  
25 the sole basis of the application of this subparagraph, may not  
26 exceed twenty thousand dollars (\$20,000) of tax.

27 (D) (i) The property was previously purchased and owned by  
28 the Department of Transportation pursuant to a consent decree  
29 requiring housing mitigation measures relating to the construction  
30 of a freeway and is now solely owned by an organization that  
31 qualifies as an exempt organization under Section 501(c)(3) of the  
32 Internal Revenue Code.

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

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

39 (A) (i) For any claim filed for the 2000–01 fiscal year or any  
40 fiscal year thereafter, certify and ensure, subject to the limitation

1 in clause (ii), that there is an enforceable and verifiable agreement  
2 with a public agency, a recorded deed restriction, or other legal  
3 document that restricts the project’s usage and that provides that  
4 the units designated for use by lower income households are  
5 continuously available to or occupied by lower income households  
6 at rents that do not exceed those prescribed by Section 50053 of  
7 the Health and Safety Code, or, to the extent that the terms of  
8 federal, state, or local financing or financial assistance conflicts  
9 with Section 50053, rents that do not exceed those prescribed by  
10 the terms of the financing or financial assistance.

11 (ii) In the case of a limited partnership in which the managing  
12 general partner is an eligible nonprofit corporation, the restriction  
13 and provision specified in clause (i) shall be contained in an  
14 enforceable and verifiable agreement with a public agency, or in  
15 a recorded deed restriction to which the limited partnership  
16 certifies.

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

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

24 (h) Property used exclusively for an emergency or temporary  
25 shelter and related facilities for homeless persons and families and  
26 owned and operated by religious, hospital, scientific, or charitable  
27 funds, foundations, limited liability companies, or corporations  
28 meeting all of the requirements of this section shall be deemed to  
29 be within the exemption provided for in subdivision (b) of Section  
30 4 and Section 5 of Article XIII of the California Constitution and  
31 this section. Property that otherwise would be exempt pursuant to  
32 this subdivision, except that it includes housing and related  
33 facilities for other than an emergency or temporary shelter, shall  
34 be entitled to a partial exemption.

35 As used in this subdivision, “emergency or temporary shelter”  
36 means a facility that would be eligible for funding pursuant to  
37 Chapter 11 (commencing with Section 50800) of Part 2 of Division  
38 31 of the Health and Safety Code.

39 (i) Property used exclusively for housing and related facilities  
40 for employees of religious, charitable, scientific, or hospital

1 organizations that meet all the requirements of subdivision (a) and  
2 owned and operated by funds, foundations, limited liability  
3 companies, or corporations that meet all the requirements of  
4 subdivision (a) shall be deemed to be within the exemption  
5 provided for in subdivision (b) of Section 4 and Section 5 of Article  
6 XIII of the California Constitution and this section to the extent  
7 the residential use of the property is institutionally necessary for  
8 the operation of the organization.

9 (j) For purposes of this section, charitable purposes include  
10 educational purposes. For purposes of this subdivision,  
11 “educational purposes” means those educational purposes and  
12 activities for the benefit of the community as a whole or an  
13 unascertainable and indefinite portion thereof, and do not include  
14 those educational purposes and activities that are primarily for the  
15 benefit of an organization’s shareholders. Educational activities  
16 include the study of relevant information, the dissemination of that  
17 information to interested members of the general public, and the  
18 participation of interested members of the general public.

19 (k) In the case of property used exclusively for the exempt  
20 purposes specified in this section, owned and operated by limited  
21 liability companies that are organized and operated for those  
22 purposes, the State Board of Equalization shall adopt regulations  
23 to specify the ownership, organizational, and operational  
24 requirements for those companies to qualify for the exemption  
25 provided by this section.

26 (l) The amendments made by Chapter 354 of the Statutes of  
27 2004 shall apply with respect to lien dates occurring on and after  
28 January 1, 2005.

29 *SEC. 7. The amendment of Section 214 of the Revenue and*  
30 *Taxation Code made by this act does not constitute a change in,*  
31 *but is declaratory of, existing law.*