

Organization Exemptions

GENERAL ELIGIBILITY: Real property tax exemption is determined by:

1. the organization's purpose
2. the property's use as of October 1 of the pretax year
3. the absence, presence, degree and use of profits
4. the property's ownership as of October 1 of the pretax year
5. incorporation of the organization or its authorization to operate in New Jersey
6. land area or existing buildings
7. timely application as of November 1 of the pretax year

Because eligibility criteria varies from statute to statute, specific questions regarding your organization's exemption requirements should be directed to the municipal assessor in the taxing district where the property is located.

LAND & BUILDINGS: Land and building criteria vary depending on statute under which exemption is claimed. Although there are some exceptions; such as cemetery and conservation land, vacant land **IS NOT** generally exempt even when owned by an otherwise exempt organization. In most cases, in the absence of buildings used for one of the exempt purposes specified by statute, independent vacant land is not exempt. Also most statutes impose acreage limits on exemptible land area. A common limit is five acres per exempt building. Please review applicable statute.

OWNERSHIP: Property must be owned by the organization claiming exemption as of October 1 of the pretax year. For example, possession of legal title as of October 1, 2000 would fulfill the ownership prerequisite for exemption for tax year 2001. In most cases, full legal title must be acquired; equitable title is insufficient. However, certain statutes by specific provision allow for equitable or beneficial ownership interest. Please review the statute under which you are requesting exemption with respect to eligible ownership.

EXEMPT USE TEST-REASONABLE NECESSITY: Use must be a qualifying exempt use. Property's use must be an integral part of the exempt organization's operations, not just a convenience, and reasonably necessary for the proper and efficient fulfillment of the organization's exempt purpose.

ACTUAL USE: Property must be actually used for a permitted or qualifying use pursuant to the statute under which exemption is sought. Future use; for-profit use; and private use are ineligible. Occasional, incidental nonexempt use does not in itself invalidate exemption.

PARTIAL (PRORATED) USE v. EXCLUSIVE USE: Whether a property must be used **solely or exclusively** for its exempt purpose or if a proration is permitted depends upon the statutory language specific to that organization. For instance, schools, hospitals, religious and charitable organizations allow prorated exempt/taxable use while volunteer first-aid squads and associations to prevent cruelty to animals must meet the exclusive or singular use criteria. Please review applicable statute.

NONPROFIT STATUS: Federal 501(c)(3) status is not controlling with respect to New Jersey property tax exemptions. A monetary surplus, rather than a loss, does not necessarily indicate a for-profit, commercial operation. Provided moneys go back into operation of exempt organization, exemption is permissible. However, a for-profit motive, as evidenced by the facts, invalidates exemption, i.e., is the organization's structure, financial agreements, tuitions, fees set etc. with the intent to make a profit.

DOCUMENTARY PROOFS: N.J.S.A.54:4-4.4 provides, Each assessor may at any time inquire into a claimant's right to continue an exemption and for that purpose he may require the submission of such documentation as he considers necessary to determine the claimant's continuing right to exemption. Claimants may be asked to provide: proof of income via audited financial statements, tax return copies; proof of ownership via deed; proof of use via lease/rental agreements, itinerary/calendar of events & organization's promotional literature; proof of organization's purpose via certificate of incorporation, articles of association, charter or mission statement, and constitution and by-laws.

Burden of proof is on exemption claimant; it is not the responsibility of the assessor to seek out claimant or to bring claimant into exemption compliance.

STATUTES:

Veterans organizations - N.J.S.A.54:4-3.5 & 54:4-3.25 & 54:4-3.15

Educational, religious, charitable organizations - N.J.S.A.54:4-3.6

Firefighter organizations - N.J.S.A.54:4-3.10 & 54:4-3.13

Burial grounds & cemeteries - N.J.S.A.54:4-3.9 & N.J.S.A.8A:5-10

Youth organizations - N.J.S.A.54:4-3.24

Fraternal organizations - N.J.S.A.54:4-3.26

Disaster relief organizations - N.J.S.A.54:4-3.27

District Supervisor Religious Organization - N.J.S.A.54:4-3.35

Historic Sites - N.J.S.A.54:4-3.52

Conservation/Recreation Land - N.J.S.A.54:4-3.64

FURTHER STATEMENT REQUIRED: Every **third year as of November 1** after approval of the initial statement, a further statement is to be filed with the municipal assessor.

APPEALS: Any unfavorable determination by the assessor may be appealed to the County Board of Taxation annually on or before **April 1**.