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**BOARD OF SUPERVISORS
ACTION ITEM**

SUBJECT: **FINANCE/GOVERNMENT SERVICES & OPERATIONS
COMMITTEE REPORT: Non-profit Organizations' Requests for
Property Tax Exemption by Designation**

ELECTION DISTRICT: Countywide

CRITICAL ACTION DATE: September 17, 2014

CONTACT: Robert S. Wertz, Jr., Commissioner of the Revenue

PURPOSE: To present nonprofit organizations to the Board of Supervisors for exemption from property taxation by designation.

RECOMMENDATION:

Committee: On September 9, 2014 the Finance/Government Services and Operations Committee voted 3-0-1-1 (Supervisors Buona, Williams and York – Yes; Supervisor Letourneau – Abstain; Supervisor Reid – Absent for vote) to recommend the Board of Supervisors adopt an ordinance exempting from real and personal property all eligible applicants, excepting Wikimedia, Inc., shown in **Attachment 1**, effective January 1, 2015.

BACKGROUND: A constitutional amendment providing local governing bodies the authority to grant property tax exemptions by designation was approved by voters in November 2002. The Board of Supervisors exercised that authority until October 7, 2008 when it imposed a moratorium on the granting of exemptions by designation until December 31, 2011. This moratorium was subsequently extended indefinitely on April 17, 2012 and was in place until December 4, 2013 when the Board lifted it and authorized the Commissioner of the Revenue to accept applications from nonprofit organizations interested in obtaining an exemption from real estate taxes, personal property taxes, or both.

At its February 5, 2014 Business Meeting, the Board approved the updated application and the procedures for processing applications for exemption from taxation proposed by the Commissioner of the Revenue. The Board also established a tax year 2015 cap of \$5.25 million for total property tax revenue foregone due to exemptions by designation.

On February 11, 2014, the Commissioner of the Revenue presented an item outlining proposed criteria for the Finance/Government Services and Operations Committee (FGSOC) to recommend the Board of Supervisors adopt for evaluation of applications for exemption from property taxation. However, the item for determining criteria to evaluate the eligible applicant organizations for exemption by designation was tabled on a motion by Supervisor Letourneau, Supervisor Reid seconded and the motion passed 3-0-2 (Supervisors Buona, Letourneau and Reid – Yes; Supervisors Williams and York – Absent for vote). The Commissioner of the Revenue agreed to work with Chairman Buona on the format to be used to present the

information to the Committee. It was decided that the summary would be provided in alphabetical order by nonprofit entity name.

A public notice was placed in the *Loudoun Times Mirror* on March 19 and 26, 2014 to inform representatives of nonprofit organizations interested in seeking property tax exemption by designation for the 2015 tax year that they must file an application with the Commissioner of the Revenue by the April 1, 2014 deadline. The Commissioner also notified by letter those organizations for which there was a record of an inquiry or application for exemption while the moratorium was in place. A total of 28 Applications were received, 4 of which were previously exempt by classification or designation in accordance with the Code of Virginia, one was not eligible for consideration due to a positive answer to question 12, and one was deemed to have been incomplete. The Board's approved process provided that applications from organizations that failed to complete the application, failed to supply all requested supporting documentation, or responded YES to questions 10, 11, 12, or 13 were considered 'ineligible' and were **not** to be forwarded to the FGSOC for consideration. Questions 10, 11, 12 and 13 are as follows:

10. Does the organization have any rule, regulation, policy, or practice that unlawfully discriminates on the basis of religious conviction, race, color, sex, or national origin?
11. Does any part of the earnings of the organization inure to the benefit of any individual?
12. Is the organization involved in carrying on propaganda, or otherwise attempting to influence legislation?
13. Does the organization participate or intervene in any political campaign on behalf of any candidate for public office?

A summary report of all eligible applications, including the calculation of the potential foregone revenue from the previous and current tax years, is shown in **Attachment 1**. The attachment also includes the amount of funding provided to each organization through the County's Non-Profit Grant process for FY2014 and FY2015. Copies of all eligible applications submitted on or before the April 1, 2014 deadline are included in **Attachment 3**.

During the September 9, 2014 meeting of the Finance/Government Services and Operations Committee, Commissioner Wertz incorrectly stated that WikiLeaks was affiliated with the applicant Wikimedia. However, Wikimedia Foundation, Inc. is affiliated with Wikipedia.org.

Additionally, Supervisor Buona asked Commissioner Wertz about supplemental documents that were provided with the applications but not included in the item. **Attachments 3a through 3v** have been modified to include those additional documents submitted with the applications for exemption from property taxation by designation. Due to the size of these files, these attachments are available only online at: <http://va-loudouncounty.civicplus.com/DocumentCenter/Index/12662>.

The Board will need to authorize a Public Hearing in order to adopt the local ordinance required to grant the property tax exemption by designation. According to Virginia Code § 58.1-3651(A), "The ordinance shall state the specific use on which the exemption is based, and continuance of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is classified or designated." Additionally, the cost of the Public Hearing advertisement is to be borne by the applicant.

ISSUES:

- A public hearing and ordinance amendment are required to grant an exemption for any or all of the

eligible organizations. The Board of Supervisors will need to direct staff to advertise a public hearing to be held prior to January 1 to adopt an ordinance in accordance with Virginia Code § 58.1-3651.

- The Board may grant an exemption on the organization's real property, tangible personal property or both. The ordinance should specify the type of property to be exempted.
- The Board may grant a parcel-specific real property tax exemption based on the parcel's tax map number or parcel identification number. However, upon the acquisition of additional real estate, an organization previously granted a parcel-specific exemption would need to file a new application for exemption and the Board would need to go through the public hearing and ordinance amendment process. The Code of Virginia does not mandate or prohibit parcel-specific property tax exemptions. However, parcel-specific property tax exemptions are employed in some localities in the Commonwealth. Notwithstanding a parcel-specific exemption, the organization would still be required to utilize the property for the charitable purpose for which the exemption was granted.
- An exemption by designation granted to an organization by the Loudoun County Board of Supervisors does not automatically exempt the organization from taxes assessed by an incorporated town. Consequently, the Commissioner of the Revenue will communicate any Board action regarding the granting of exemption from property taxation to the respective town so that the town council may consider adoption of a similar exemption.

FISCAL IMPACT: The fiscal impact of granting property tax exemptions by designation is dependent on the organizations that the Board approves for exemption and the value of the personal and real property owned by the respective organizations. The amount will vary based on the assessed value of the property, be it real or personal, and the tax rate for that property class established by the Board for any particular year. **Attachment 1** contains the taxes assessed by entity and type for tax year 2014. A breakdown of the \$4,591,790 in foregone CY2014 revenue due to property tax exemptions by designation previously granted by the Board is shown in **Attachment 2**. Based on a static level of taxation for these organizations and the Board's cap of \$5.25 million for foregone tax year 2015 revenue, there remains the potential for \$658,210 in additional exemptions for these organizations.

ALTERNATIVES: The Board may approve for exemption from property taxation by designation any, all, or none of the eligible applicants shown in **Attachment 1**.

DRAFT MOTIONS:

1. I move that the Board of Supervisors **adopt an ordinance exempting from real and personal property taxation all eligible organizations** submitting applications that were forwarded by the Commissioner of the Revenue, as shown in **Attachment 1**.

OR

2. I move that the Board of Supervisors **adopt no additional exemptions** from property taxation for any of the eligible organizations submitting applications that were forwarded by the Commissioner of the Revenue, as shown in **Attachment 1**.

OR

3. I move that the Board of Supervisors **adopt an ordinance granting property tax exemption to [ORGANIZATION NAME(S)] that submitted applications** for exemption that were forwarded by the Commissioner of the Revenue, as shown in **Attachment 1**.

OR

4. I move an alternate motion.

ATTACHMENTS:

1. Summary Report of Organizations Submitting Applications for Exemption from Taxation by Designation
2. Summary of Foregone Revenue due to Property Tax Exemptions by Designation Previously Granted by the Board
3. Applications of Eligible Organizations Applying for Exemption by Designation. *Please use the link below to access the 22 applications listed. Hard copies will not be available at the meeting.*

<http://va-loudouncounty.civicplus.com/DocumentCenter/Index/12662>

- a. The Arc of Loudoun
- b. The Archaeological Conservancy
- c. Between The Hills Community Association, Inc.
- d. Birthright of Loudoun County
- e. Boulder Crest Retreat Foundation
- f. Christian Service Charities, Inc.
- g. Independence Center of Northern Virginia, Inc.
- h. Equine Rescue League Foundation
- i. Home School Foundation
- j. Integrated Justice Information Systems Institute
- k. The Journey Through Hallowed Ground Partnership
- l. Landmark Legal Foundation
- m. Loudoun Cares
- n. Loudoun Community Health Center
- o. Loudoun Habitat for Humanity
- p. Loudoun Therapeutic Riding Foundation, Inc.
- q. Margaret Paxton Memorial for Convalescent Children
- r. Northern Virginia Dental Clinic, Inc.
- s. The Sterling Playmakers

- t. The Unison Preservation Society, Inc.
- u. Virginia Rides
- v. Wikimedia Foundation, Inc.

**Summary Report - Overview of Applications for Exemption by Designation
Including Potential Foregone Revenue for Tax Years 2013 and 2014**

| Organization: | The ARC of Loudoun | |
|-----------------------------|---------------------------|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$1,103.13 | \$1,061.76 |
| TOTAL Taxes Assessed | \$1,103.13 | \$1,061.76 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | The Archaeological Conservancy | |
|-----------------------------|---------------------------------------|-----------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$409.70 | \$392.70 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$409.70 | \$392.70 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Between The Hills Community Association, Inc. (property previously owned by Neersville Fire & Rescue) | |
|-----------------------------|--|--------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$11,797.63 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$0.00 | \$11,797.63 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Birthright of Loudoun County | |
|-----------------------------|-------------------------------------|----------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$34.79 | \$16.30 |
| TOTAL Taxes Assessed | \$34.79 | \$16.30 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Boulder Crest Retreat Foundation | |
|-----------------------------|---|--------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$9,622.89 | \$28,869.46 |
| Personal Property | \$522.14 | \$9,748.39 |
| TOTAL Taxes Assessed | \$10,145.03 | \$38,617.85 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Christian Service Charities, Inc. | |
|-----------------------------|--|--------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$10,103.20 | \$9,683.98 |
| Personal Property | \$1,364.58 | \$1,114.89 |
| TOTAL Taxes Assessed | \$11,467.78 | \$10,798.87 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Independence Center of Northern Virginia, Inc. | |
|-----------------------------|---|----------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$50.91 | \$38.43 |
| TOTAL Taxes Assessed | \$50.91 | \$38.43 |
| Non-Profit Grant Funding | FY2014 | \$50,000.00 |
| Non-Profit Grant Funding | FY2015 | \$53,488.00 |

| Organization: | Equine Rescue League Foundation | |
|-----------------------------|--|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$4,849.04 | \$4,887.27 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$4,849.04 | \$4,887.27 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Home School Foundation | |
|-----------------------------|-------------------------------|-----------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$172.91 | \$132.59 |
| TOTAL Taxes Assessed | \$172.91 | \$132.59 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Integrated Justice Information Systems Institute, Inc. | |
|-----------------------------|---|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$1,415.11 | \$1,223.25 |
| TOTAL Taxes Assessed | \$1,415.11 | \$1,223.25 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | The Journey Through Hallowed Ground Partnership | |
|-----------------------------|--|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$4,309.08 | \$4,280.31 |
| Personal Property | \$648.10 | \$785.99 |
| TOTAL Taxes Assessed | \$4,957.18 | \$5,066.30 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Landmark Legal Foundation | |
|-----------------------------|----------------------------------|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$8,612.26 | \$8,254.90 |
| Personal Property | \$367.59 | \$352.21 |
| TOTAL Taxes Assessed | \$8,979.85 | \$8,607.11 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Loudoun Cares | |
|-----------------------------|----------------------|--------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$12,301.84 | \$13,736.99 |
| Personal Property | \$29.65 | \$73.21 |
| TOTAL Taxes Assessed | \$12,331.49 | \$13,810.20 |
| Non-Profit Grant Funding | FY2014 | \$75,000.00 |
| Non-Profit Grant Funding | FY2015 | \$79,850.00 |

| Organization: | Loudoun Community Health Center | |
|-----------------------------|--|---------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$93,416.42 | \$96,834.16 |
| Personal Property | \$9,441.38 | \$18,275.12 |
| TOTAL Taxes Assessed | \$102,857.80 | \$115,109.28 |
| Non-Profit Grant Funding | FY2014 | \$165,375.00 |
| Non-Profit Grant Funding | FY2015 | \$176,991.00 |

| Organization: | Loudoun Habitat for Humanity | |
|-----------------------------|-------------------------------------|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$8,085.92 | \$8,384.84 |
| Personal Property | \$632.14 | \$907.70 |
| TOTAL Taxes Assessed | \$8,718.06 | \$9,292.54 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Loudoun Therapeutic Riding Foundation, Inc. | |
|-----------------------------|--|-----------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$497.66 | \$435.09 |
| TOTAL Taxes Assessed | \$497.66 | \$435.09 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Margaret Paxton Memorial for Convalescent Children | |
|-----------------------------|---|--------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$18,109.95 | \$17,143.85 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$18,109.95 | \$17,143.85 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Northern Virginia Dental Clinic, Inc. | |
|-----------------------------|--|-------------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$3,571.98 | \$2,388.04 |
| TOTAL Taxes Assessed | \$3,571.98 | \$2,388.04 |
| Non-Profit Grant Funding | FY2014 | \$25,000.00 |
| Non-Profit Grant Funding | FY2015 | \$25,000.00 |

| Organization: | The Sterling Playmakers | |
|--------------------------|-------------------------|------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$3,425.11 | \$3,576.60 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$3,425.11 | \$3,576.60 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | The Unison Preservation Society, Inc. | |
|--------------------------|---------------------------------------|------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$1,239.10 | \$1,192.42 |
| Personal Property | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$1,239.10 | \$1,192.42 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| Organization: | Virginia Rides | |
|--------------------------|----------------|--------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property ** | \$0.00 | \$0.00 |
| TOTAL Taxes Assessed | \$0.00 | \$0.00 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

** Application specifies vehicles not currently listed on Loudoun tax rolls

| Organization: | Wikimedia Foundation, Inc. | |
|--------------------------|----------------------------|-------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$0.00 | \$0.00 |
| Personal Property | \$70,068.10 | \$76,041.88 |
| TOTAL Taxes Assessed | \$70,068.10 | \$76,041.88 |
| Non-Profit Grant Funding | FY2014 | \$0.00 |
| Non-Profit Grant Funding | FY2015 | \$0.00 |

| TOTALS | | |
|--------------------------|--------------|--------------|
| Tax Year | 2013 | 2014 |
| Real Estate | \$174,484.51 | \$209,035.11 |
| Personal Property | \$89,920.17 | \$112,594.85 |
| TOTAL TAXES ASSESSED | \$264,404.68 | \$321,629.96 |
| Non-Profit Grant Funding | FY2014 | \$315,375.00 |
| Non-Profit Grant Funding | FY2015 | \$335,329.00 |



Tax Exemptions by Board Action

A 2002 amendment to the State Constitution, effective January 1, 2003, directed localities to determine which organizations will be exempt from local property taxes. Previously, the General Assembly granted tax exemptions; tax exemptions previously granted by the General Assembly remain in place. The Board of Supervisors has placed a moratorium on new tax exemption applications.

The table below shows the current estimated property assessments and revenue impacts for property exempted by the Board of Supervisors.

| Legal Entity Name | Real Property | | Personal Property | | Total |
|--|------------------------------------|--------------------|------------------------------------|--------------------|------------------------------|
| | Calendar Year (CY) 2013 Assessment | Revenue Exempted | Calendar Year (CY) 2013 Assessment | Revenue Exempted | Annual (CY) Revenue Exempted |
| Air Force Retired Officers Community | \$82,632,630 | \$995,723 | \$1,271,739 | \$53,413 | \$1,049,136 |
| American Water Resources Association | N/A | N/A | 10,982 | 461 | 461 |
| Evelyn Alexander Home for Animals Foundation, Inc. | N/A | N/A | 41,985 | 1,763 | 1,763 |
| Friends of Homeless Animals, Inc | 889,510 | 10,719 | 14,588 | 613 | 11,331 |
| Howard Hughes Medical Research Institute | 146,706,000 | 1,767,807 | 25,184,100 | 1,057,732 | 2,825,539 |
| Jack Kent Cooke Foundation | 8,649,150 | 104,222 | 318,416 | 13,373 | 117,596 |
| Life Line, Inc. ¹ | 25,790 | 311 | N/A | N/A | 311 |
| Loudoun County Transportation Association | 3,636,410 | 43,819 | N/A | N/A | 43,819 |
| Prison Fellowship Ministries Foundation | 21,274,710 | 256,360 | N/A | N/A | 256,360 |
| Prison Fellowship Ministries International | N/A | N/A | 497,773 | 20,906 | 20,906 |
| Virginia Regional Transportation Association | 474,940 | 5,723 | 2,404,207 | 100,977 | 106,700 |
| Total | \$264,289,140 | \$3,184,684 | \$29,743,790 | \$1,249,239 | \$4,433,923 |

N/A: Not applicable.

Totals may not equal sums because of rounding.

¹ Prorated assessment. Effective January 15, 2013, property was transferred to a non-qualifying entity.