

Church tax breaks a house of cards

Outside clubs may mean loss of exemptions

By Kathleen Wilson

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Worried about losing thousands of dollars in religious property tax exemptions, clergy members are seeking a resolution with county Assessor Dan Goodwin that will let them keep their doors open to certain community groups.

At issue are frequent meetings of outside social clubs and other groups meeting at churches and synagogues. At least in some cases, the religious institutions are charging rent or use fees, which Goodwin says puts them in competition with taxpaying businesses.

The Ojai Valley Civic Bridge Club that had met at the Ojai United Methodist Church since the mid-1990s moved to a new location this year because of tax issues for the church, club President Alan Greenberg said. Leaders of the Temple Beth Torah in Ventura are now trying to work out a deal to minimize taxes and allow a 245-member bridge club to continue meeting at the synagogue's hall.

Goodwin says he does not want anyone to pay more property taxes than the law requires but that card playing is not a lawfully permitted religious use.

'That's a pretty easy call,' said Goodwin, who identifies himself as an active church member.

Alcoholics Anonymous meetings and yoga classes on church property could pose the same problem if they occur more than once a week. Outside groups are legally in question when they are not tax-exempt charities, are unaffiliated with the place of worship and are not fulfilling a religious purpose.

If all those apply, the part of the property used by the groups must be

segregated and the tax bill assessed based on the square footage, Chief Deputy Assessor Ken Kaiser said. The remainder of the property would maintain the exemption.

The assessor's stance even if legally correct has caused worry and confusion, some ministers say.

The pastor of Ventura's First Christian Church said he has turned away people wanting to use the church kitchen after being warned that a bridge club's regular meetings could increase taxes.

"It would be great to offer space as a large property in the city," Pastor Jonathan Hall said. "We feel we cannot."

Ministers at the Unitarian Universalist Church of Ventura declined to comment in detail, citing ongoing negotiations with the Assessor's Office, but said they are concerned as well.

The church allowed a party and home-school meeting on its property and charged use fees, Senior Minister Jan Christian wrote in an email.

"We were taken by surprise when contacted by the Assessor's Office and our staff and our volunteers have spent dozens of hours seeking to understand what is being asked of us and then taking the steps to bring us into compliance," Christian said. "We intend to comply and we anticipate that doing so will negatively impact our budget and, more importantly, our ability to respond to needs in the community."

STATE MAKES CALL

John J. Griffin, who is opposing Goodwin in the June 3 election, has criticized what he considers the assessor's "overzealous" review in his campaign to unseat the four-term incumbent. But religious leaders said their concerns predate Griffin's election bid. Pastor Jim Ayars, president of an association of 24 churches and synagogues, said the group plans to meet with Goodwin on Tuesday on the issue and others related to tax exemption.

Goodwin's top deputies say they are working with the affected institutions but that state law is firm on the point save exceptions carved out by the Legislature.

Frank Newell, chief deputy assessor, said the assessor's hands are bound.

"We get the blame, but we have to follow the law," he said.

A spokesman for the state Board of Equalization, which advises the California's 58 county assessors, concurred. Assessors do not have discretion to exempt property that fails to qualify for exemption under the tax code and the state Constitution, spokesman Brian Miller said.

But some assessors may be more flexible than others. Officials in other counties said they would consider such issues as whether the fees paid by the organizations to the churches merely covered overhead and whether the groups provided a community benefit.

"There's a point where it's not black and white," said Sean Downs, chief appraiser for Riverside County.

Keith Taylor, chief deputy assessor in Santa Barbara County, said he knew of no instances in which bridge clubs had become an issue for churches there. He doubted the county would drop the tax break if the outside group was not hampering the church's ability to fulfill its mission.

Goodwin, too, said assessors have some wiggle room to work with church officials once the state Board of Equalization clears their organizations for the tax exemption. But Kaiser said employees have to go on the facts, not speculation about community benefit.

Hall said First Christian was told two years ago that its property tax could increase from approximately \$1,600 to \$12,000. The bridge club that had been meeting there moved to Temple Beth Torah for an unrelated reason around that time.

Leaders of the temple are now trying to reach an agreement with the assessor over property taxes. Board member Nancy Marcus said she expects a resolution that will limit the cost.

Marcus described the assessor's office as "very reasonable" and willing to discuss a variety of options.

COMMUNITY PURPOSE

But presidents of affected bridge clubs meeting in Ventura and Ojai are irked.

"I have a real problem with the idea of trying to collect taxes from religious organizations and trying to put pressure on a senior citizen organization," said Gary Morgan, president of the unit of the American Contract Bridge League that meets at the temple .

He said the group pays the synagogue \$510 a month to play bridge on the property about 10 hours a week.

"Bridge clubs all over California rent churches," Morgan said. "It's the one place they can find reasonable prices for senior members to play cards."

Assessors verify whether churches and synagogues are using their properties for the stated purpose when the institutions apply for the exemption and when they report a change in use in annual reports. On average about 2 percent of the 1,000 parcels granted some type of tax exemption for religious reasons would merit additional review each year, Kaiser said.

If the reviews are rare, they also are more rigorous than in the past. In reaction to a 2012 recommendation from the state Board of Equalization, Goodwin stepped up scrutiny of churches seeking a tax exemption for property used for worship.

Goodwin requires employees to personally inspect all parcels being claimed to ensure they qualify for the break. The state board found the

assessor's office had mistakenly allowed a religious college the exemption in 2005.

Some consider the state's view out of step with what churches do.

Constitutional lawyer Alan Reinach said churches should be free to allow community groups to use their facilities without penalty.

"Bringing people together and serving the community is part of the mission of the church, and it should not subject the church to taxation," said Reinach, leader of the Church State Council affiliated with the Pacific Union Conference of Seventh-day Adventists.

The bridge clubs are nonprofit social organizations that paid \$400 to \$500 a month for use of church buildings, but not tax-exempt charities. To Goodwin, that income puts the churches in competition with taxpaying private businesses that also rent space. The church can decide whether it wants to pay property taxes on the space used by the organizations or drop the use and keep the property tax-free, he said.

"We will work with them on understanding the law, but they have to decide," he said.

Goodwin isn't alone in finding a problem with rentals of tax-exempt space to outside groups. Two years ago the Board of Equalization faulted the Madera County assessor for exempting a camp from property taxes when it was offered for rent to the public.

But Hall does not really understand why use by a bridge club would result in loss of the property tax break. He said the church was providing a place for elderly bridge players to meet, not running a commercial enterprise. The members' average age is 78, according to the club president.

"Nonprofits, no matter what they do, are doing things for the community," Hall said. "They may not be singing hallelujah to Jesus, but they are doing things for the community, and that's what nonprofits are about. I could understand if we had a Starbucks on campus."

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