Welfare Exemption
Dedication and Dissolution Clauses

Irrevocable Dedication Clause

The Welfare Exemption from property taxation provided by section 214 of the Revenue and Taxation Code (all references are to this Code unless otherwise noted) is available for property used exclusively for religious, hospital, scientific, or charitable purposes owned and operated by community chests, funds, foundations, or corporations organized and operated for religious, hospital, scientific, or charitable purposes. The property must be irrevocably dedicated to one or more of these purposes and upon the liquidation, dissolution or abandonment by the owner must not inure to the benefit of any private person except a fund, foundation, or corporation organized and operated for such purposes.

Section 214.01 provides that property shall be deemed irrevocably dedicated to religious, charitable, scientific or hospital purposes **only if a statement of irrevocable dedication to only these purposes is found in the articles of incorporation of the corporation, or in the case of any other fund or foundation, in the bylaws, articles of association, constitution, or regulations thereof.**

Where an organization is organized for educational purposes which are also charitable, the Welfare Exemption may also be available. If "educational" purposes as well as charitable purposes are indicated in the organization's statement of irrevocable dedication, the following language should be added:

> "The assets and property of this organization are irrevocably dedicated to charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code."

Dissolution Clause

Section 214(a)(6) imposes the further requirement on organizations that upon the dissolution of the organization, the property will not inure to the benefit of any private person except a fund, foundation, or corporation organized and operated for religious, charitable, scientific, or hospital purposes. If, upon dissolution, an organization's property is to be distributed to another organization organized and operated exclusively for one or more of these purposes, the dissolution clause will meet the requirements of section 214(a)(6).

Where the assets of the organization are to be distributed to a legal entity organized and operated in whole or in part for charitable and educational purposes, limiting language must be added that is similar to the qualified irrevocable dedication clause already discussed.

Revised Articles of Incorporation

The following sample articles of incorporation would meet statutory requirements:

> "The property of this [*legal entity*] is irrevocably dedicated to [*religious/charitable/scientific/hospital purposes* **or** *charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code*] and no part of the net income or assets of this organization shall inure to the benefit of any private persons. Upon the dissolution or winding up of the [*legal entity*] its assets remaining after payment, or provision for payment, of all debts and liabilities of this [*legal* entity], shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for [*religious/charitable/scientific/hospital purposes or charitable and educational purposes meeting the requirements for exemption provided by section 214 of the Revenue and Taxation Code*] and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code."

When you have filed the amended organizational document with the Secretary of State's office in Sacramento ((916) 657-5448 for information), please submit an endorsed copy to the Assessor's office to satisfy the filing requirements for the welfare exemption.