

Property Tax Exemptions for Nonprofits

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Issue

Provide an overview of the property tax exemptions for qualifying nonprofits.

Summary

State law provides 14 different property tax exemptions for qualifying nonprofit organizations. The primary exemption is for property owned by, or held in trust for, corporations organized exclusively for charitable, scientific, educational, literary, historical, or open-space land preservation purposes. State law also provides narrow exemptions for specific types of nonprofits, including specific colleges and universities, agricultural and horticultural organizations, religious organizations, hospitals, and camps and recreational facilities.

The law generally authorizes tax assessors to require nonprofits to submit proof that they are certified by the Internal Revenue Services (IRS) as a federally tax-exempt organization. The nonprofit generally must use the property for allowable purposes and, for certain exemptions, must file a form with the town assessor by specified deadlines.

Taxable Property

Connecticut law subjects both real and personal property to property tax.

Real Property includes (1) land and quarries, mines, fisheries, and certain air rights above the land; (2) buildings (e.g., houses, sheds, and stores); and (3) improvements on land that are permanently attached to it (e.g., fences and parking areas) (CGS §§ 12-62 & 12-64).

Personal Property is all property not classified as real property; it includes machinery, equipment, furniture, fixtures, and motor vehicles (CGS § 12-71).

State law also gives municipalities the option to provide certain other exemptions, such as for nonprofit ambulance companies and nonprofit land conservation organizations ([CGS §§ 12-81c & 12-81dd](#)). Municipalities may also exempt, by ordinance, property nonprofits lease to charitable, religious, or nonprofit organizations that is not otherwise exempt under state law ([CGS § 12-81\(58\)](#)).

Property Tax Exemptions for Qualifying Nonprofits

Table 1 lists all statutorily-required property tax exemptions for nonprofits and specifies the types of qualifying nonprofits and exempt property (i.e. real or personal or both). It also includes use requirements or other conditions a nonprofit must comply with to be eligible for the exemption.

Table 1: Property Tax Exemptions for Qualifying Nonprofits

<i>Statute</i>	<i>Eligible Entities</i>	<i>Exempted Property</i>	<i>Use and Other Requirements</i>
CGS § 12-81(7)	Corporations organized exclusively for charitable, scientific, educational, literary, or historical purposes	Real and personal property	Property must be used for charitable, scientific, educational, literary, historical purposes, or to preserve open space (CGS § 12-107f); subsidized low-income housing, with exceptions, does not constitute a charitable purpose Quadrennial filing required
CGS § 12-81(8)	Specified educational institutions: Connecticut College for Women; Hartford Seminary Foundation; Trinity College; Wesleyan University; Yale College; and Berkeley Divinity School and Sheffield Scientific School, which are part of Yale	Real and personal property (“funds and estate”)	Property must be held and invested for the use of said institutions To be exempt, the real estate may not generate an annual income of more than \$6,000; the Connecticut Supreme Court has ruled that this income threshold applies only to real estate that generates income without serving any educational purpose (<i>Connecticut College v. City of New London</i> 41 Conn. L. Rptr. 635)
CGS § 12-81(10)	Nonprofit agricultural or horticultural organizations	Real and personal property	Property must be used for an annual agricultural fair that pays cash premiums of at least \$200 Quadrennial filing required
CGS § 12-81(11)	Religious organizations	Real and tangible personal property and donations held in a trust	Property must be used exclusively for cemetery purposes Quadrennial filing required
CGS § 12-81(12)	Religious organizations	Personal property	The organization’s principal or income must be used or appropriated exclusively for religious or charitable purposes
CGS § 12-81(13)	Religious organizations	Real and certain personal property (pews, furniture, and equipment)	Property must be used exclusively as a house of religious worship
CGS § 12-81(14)	Religious organizations	Real and personal property	Property must be used exclusively as one or more of the following purposes: (1) school, (2) daycare, (3) nonprofit camp or recreational facility for religious purposes, (4) parish house, (5) orphanage, (6) children’s home, (7) reformatory, or (8) infirmary

Table 1 (continued)

Statute	Eligible Entities	Exempted Property	Use and Other Requirements
CGS § 12-81(15)	Religious organizations	Real property	Property must be used to house officiating clergy
CGS § 12-81(16)	Nonprofit hospitals and sanitoriums	Real and personal property	Quadrennial filing required
CGS § 12-81(18)	Nonprofit veteran's organizations	Real and personal property	Property must be used exclusively for the organization's purpose
CGS § 12-81(27)	Grand Army Posts	Real and personal property	Property must be used as a meeting place for members or the Woman's Relief Corps and income must be used for specified purposes
CGS § 12-81(29)	American National Red Cross	Real and tangible personal property	
CGS § 12-81(49)	Charitable nonprofit camps and recreational facilities	Real property and equipment	Generally, at least 75% of beneficiaries (i.e. users) of the camp or facility each year must be Connecticut residents; narrow exception for qualifying organizations incorporated before May 26, 1961 Annual filing required
12-81(75)	Nonprofit residential care, nursing, and rest homes	Real and personal property	Facility must be owned or leased by a federally tax-exempt organization; exemption does not affect (1) property that was taxable on the 1999 grand list or (2) any time-limited, written agreement with any municipality concerning the property's taxability that existed on June 1, 2000

Evidence of Federal Tax-Exempt Status

State law authorizes municipal tax assessors to require nonprofits to submit evidence that they are certified by the IRS as federally tax-exempt organizations, either as a qualifying charitable organization ([26 U.S.C. § 501\(c\)](#)) or religious organization ([26 U.S.C. § 501\(d\)](#)). Assessors may require this of organizations claiming any of the exemptions described in Table 1 above, except for the exemption for certain health care institutions ([CGS § 12-81\(75\)](#)). They may also require such proof for purposes of the local option exemption for property leased to a nonprofit organization ([CGS § 12-81\(58\)](#) & [12-89\(a\)](#)).

Charitable Purpose Under CGS § 12-81(7)

[CGS § 12-81\(7\)](#) provides the broadest exemption for nonprofits. It excludes from tax nonprofits' real and personal property if the property is used exclusively for a charitable (or scientific, educational, literary, historical or open space preservation) purpose.

To determine whether an entity is entitled to the exemption, the Connecticut Supreme Court developed a three part analysis, considering whether the entity (1) is organized to carry out an exclusively charitable purpose, (2) is self-supporting (the court held that entirely self-supporting

organizations are generally not charitable), and (3) relieves a burden on the state through its activities (*St. Joseph's Living Center., Inc. v. Town of Windham*, 290 Conn. 695, 713 (2009)). By law, low and moderate-income housing or housing subsidized by local, state, or federal funds does not constitute a “charitable purpose” and is not eligible for the exemption. But housing that is owned by a charitable, tax-exempt organization may be exempt if it is used primarily as (1) an orphanage, (2) a drug or alcohol treatment or rehabilitation facility, (3) housing for certain homeless individuals, (4) housing for certain ex-offenders, or (5) short-term housing where the average length of stay is less than six months ([CGS § 12-81\(7\)](#)).

Use Requirements

Real Property

The assessor reviews filings that scientific, educational, literary, historical, charitable, agricultural, and cemetery organizations must submit to claim an exemption and determines what portion of a property, if any, is exempt ([CGS § 12-89](#)). In general, a nonprofit’s real property is exempt only to the extent it uses the property exclusively for one or more of the exemption’s stated purposes.

If it uses the property for the stated purposes and for other purposes, the nonprofit may be taxed for the portion of the property used for other purposes. And, if the property’s uses are intertwined and not physically separate, the municipality may levy a tax on the entire property ([CGS § 12-88](#) & *St. Joseph's Living Center., Inc. v. Town of Windham*, 290 Conn. at 747).

Leased Property

Property a nonprofit leases to others and collects rent on is exempt, so long as it does so in furtherance of its tax-exempt purpose. For example, the Connecticut Supreme Court held that a halfway house that provided housing and rehabilitation services to individuals under the Department of Correction’s supervision was tax exempt, even though it collected rent. It held so, in part, because the halfway house collected rent “solely in furtherance of, and in direct relation to, its charitable function of facilitating inmates' transition back into society” (*Isaiah 61:1, Inc. v. City of Bridgeport*, 270 Conn. 69 (2004)).

Unused Real Property

Unused real property owned by, or held in trust for, a nonprofit may also be exempt if it is unused because there are no suitable buildings for the nonprofit’s purpose, but the necessary buildings or improvements are under construction ([CGS § 12-88](#)).

Effective Date of the Exemption

In general, property acquired by a tax-exempt organization after October 1 becomes exempt on the following October 1 ([CGS § 12-89](#)).

However, municipalities may, by ordinance, make certain property tax exemptions effective on the date the tax-exempt organization acquires the property. Such an ordinance must establish a procedure for reimbursing the tax-exempt organization for any tax it paid for any period after the acquisition date, as well as for any tax for which the exempt organization reimbursed the prior owner on the transfer of the title. The ordinance may modify the effective date for (1) property used for scientific, educational, literary, historical, or educational purposes; (2) college property; (3) personal property loaned to tax-exempt educational institutions; (4) property owned by agricultural or horticultural societies; (5) property held for cemetery use; (6) personal property of religious organizations devoted to religious or charitable use; (7) houses of religious worship; (8) property of religious organizations used for certain purposes; (9) houses used as dwellings by officiating clergy; (10) hospitals and sanitoriums; (11) bona fide war veterans' organizations; (12) Connecticut Grand Army posts; and (13) the American National Red Cross ([CGS § 12-81b](#)).

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