

Applying for Property Tax Exemption

This worksheet is designed to help organizations understand the process of securing real estate tax exemption in Illinois.

A nonprofit organization is not automatically exempt from paying property taxes. However, if a nonprofit uses a property it owns for charitable purposes, the organization can apply for exemption from real estate taxes. The purpose of this overview is to increase your organization's understanding of the property tax exemption process; it is not intended to take the place of legal counsel. In fact, because of the difficulties many nonprofits experience when seeking property tax exemption, the IFF strongly recommends obtaining legal advice or representation while undertaking the application process.

Filing for property tax exemption can only be done by the owner of the property, so filing cannot occur until a nonprofit is the taxpayer of record. When a corporation buys a property, it immediately becomes responsible for property taxes; therefore, it is a good idea to begin preparing for the application process as soon as possible.

Until you secure your exemption, **pay all property taxes**. If granted an exemption, you can then file a certificate of error to refund the paid property taxes. This process takes between six months and a year. The cash contribution your organization brings to project funding will be needed for these initial tax bills, as well as the legal fees incurred to obtain exemption.

Qualifications for Exemption

Nonprofits owning property qualify for property tax exemption by demonstrating that they have a charitable purpose. Those organizations with a purpose not specifically named as charitable in the statute must meet the following six-point test:

- The services offered are for an indefinite number of people, not just members of a preferred group.
- The organization carries 501(c)2, 501(c)3 or 501(c)4 status.

- Funds are derived mainly from public or private charity, and are used for the purposes expressed in the charter.
- The charity is dispensed to all who need and apply for it.
- No obstacles are placed in the way of those seeking benefits. A fee-waiver policy outlined in the by-laws is helpful if fees for services are charged.
- The exclusive (primary) use of the property is for charitable purposes.

The Application

Check with the local county board of reviews to find out when the filing periods are open. The Cook County Board of Review has four filing periods per year and applications are accepted only during those periods. Other counties have similar filing restrictions.

Be comprehensive in preparing the application. Any missing documents or incomplete information can delay the process, and possibly lead to a hearing or a denial of the application. Check with your local county board of reviews for specific instructions and to receive the necessary forms. Cook County requires that the entire application be submitted in duplicate and 12 pieces of supporting documentation be completed and included with each application. A summary of those required items are as follows:

- Application form "Board of Review of [insert name] County [insert tax year] Real Estate Exemption Complaint"
- Illinois Department of Revenue Application for Property Tax Exemption (form PTAX-300 for charitable or educational organizations, or form PTAX-300-R for religious organizations)

- Parsonage/Convent form (for religious organizations)
- Title/Deed (must be in organization's name)
- Corporate Charter
- By-Laws—These can help make your case by outlining policies that fulfill the exemption requirements
- Tax Bills
- Photographs—4 of each building (2 inside and 2 outside)
- Plat of Survey
- Floor Plan
- Internal Revenue Service 501(c) 2 or 501(c) 3 Letter and/or
- Illinois Sales Tax Exempt Letter
- Financial Statement
- Organization newsletters, brochures, etc.

The documentation required may vary by county. Please check with your local county board of review for exact requirements.

The Review Process: The County

The local Board of Tax Appeals reviews the application and makes a recommendation to the Illinois Department of Revenue. A recommendation for exemption by the county is not a guarantee of exemption. The local Board of Tax Appeals or the Department of Revenue may ask for

additional information or call for a hearing. If a formal hearing is requested, the hearing officer will contact the organization. At this time, the applicant may provide additional information and call witnesses to testify as to the nature of the organization and use of the property in question. Legal counsel is not required at the hearing, but may advise the applicant if desired. If either the Board of Appeals or the Department of Revenue does not have sufficient information to grant exemption, then they are required by law to deny the request.

The Review Process: The State

The Department of Revenue in Springfield makes the final exemption determination, which usually takes between six months and a year. The Department of Revenue requires that the property in question be owned by a charitable organization and that it is used solely for charitable purposes. If your organization is also a landlord, the corporate status of your tenants will influence whether or not the property is granted partial or full exemption from real estate taxes. When a decision is made, the Department of Revenue notifies the organization, the county clerk, and the Board of Tax Appeals.

Ongoing Obligations

After an organization is granted a full or partial property tax exemption, an annual affidavit letter will be sent to verify that the use of the property has not changed and the exempt status should remain. ***The notice must be signed and returned to the county assessor's office every year.*** If it is not returned, the property can be added back to the tax roles, and the organization must apply for exemption all over again.

For a more detailed description of this process, please call the IFF at 312.629.0060 for a copy of its *Capacity-Building Digest 2: Property Tax Exemption*.

Steps in Applying for Property Tax Exemption in Illinois

