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S.D.-based charity is one of 7 in state seeking tax relief

By Michael Gardner  
COPLEY NEWS SERVICE

January 13, 2008

SACRAMENTO – Charity may begin at home, but should philanthropy be taxed just because its mission is global?

With the San Diego County-based International Community Foundation at the forefront, several nonprofit agencies that operate charitable programs worldwide insist they should not be forced to pay local property taxes.

If the state Board of Equalization agrees, the decision would significantly broaden the definition of charities and their community benefits that have guided California property tax collections for more than six decades.

Most qualifying charities, from churches to hospitals to food banks, have clearly demonstrated they provide a direct community benefit that meets the property tax exemption criteria established by voters in a 1944 ballot measure.

However, an unknown number of nonprofits have property in California but do not qualify for the tax break because a substantial amount of their programs operate elsewhere.

The International Community Foundation is one of those, offering cross-border programs and providing grants in Mexico.

“Health issues know no political boundaries. Protecting habitat in Mexico for migratory species of interest to California – isn’t that a public benefit?” said Richard Kiy, president of the International Community Foundation.

While the amounts of the taxes appear minimal in contrast to the billions in property taxes paid statewide – the seven charities involved own property collectively assessed at about \$3.1 million – a victory could set off a wave of similar appeals. There are no

ALSO SEEKING EXEMPTIONS

In addition to the International Community Foundation, six other California-based nonprofits that work outside the United States are appealing having to pay property taxes.

**Assist International:** Delivers food, medical, building and education supplies to charities, agencies and refugee camps around the world.

**East Meets West Foundation:** Group says it partners with the people of Vietnam to improve health, education and economic conditions there.

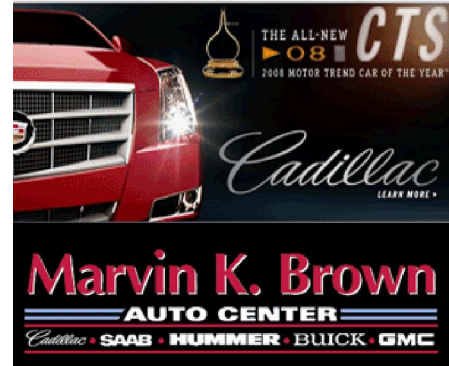
**Green Cross International:** Citing a commitment to Global Glasnost, the group says it works to prevent conflicts over natural resources and to promote sustainable development.

**Lifewater International:** Group says it has a Christian mission to help communities in developing countries gain access to safe water, sanitation and hygiene.

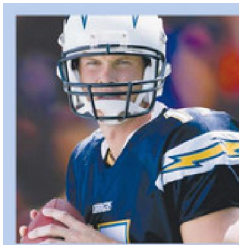
**Relief International:** Group says it provides emergency relief, rehabilitation, development assistance and program services to vulnerable communities worldwide.

**Rotaplast International:** Group’s goal is to eliminate the incidence of untreated cleft lips and palates in children worldwide.

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estimates available of how many other nonprofits would be eligible if these seven succeed.

*SOURCES: The organizations' Web sites*

Currently, about 12,700 nonprofits qualify for the tax break on property assessed at \$40 billion statewide, according to figures provided by the Board of Equalization.

The Board of Equalization, California's arbiter of major tax disputes, has wrestled with the issue internally for nearly a year but appears ready to settle the matter at its next public meeting this month.

The outcome is difficult to predict. The five-member elected board consists of three Democrats who tend to be more liberal on taxation issues and two conservative Republicans who generally favor lower taxes.

The board's legal team appears open to broadening the interpretation of the law defining community benefits to include programs provided outside California. Such a decision "is not prohibited by law and is appropriate in light of modern nonprofit organization purposes," the department's chief counsel, Kristine Cazadd, wrote to the board July 6.

The appeal has put county assessors in an uncomfortable position; nevertheless, they oppose loosening the law.

Assessors argue that property tax exemptions should be reserved for agencies operating programs that directly benefit the community. Otherwise, local public services could be shortchanged.

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"There should be some local nexus so there is some public benefit that warrants people saying, 'That's worthy – don't hit them with property tax,'" said Placer County Assessor Bruce Dear.

Brian Salmon, who monitored the appeals process for San Diego County until recently taking another job in San Francisco, said verification is a key issue.

"How do I verify it's doing charitable work in Peru or Uganda or China?" Salmon said. "All the pictures in the world, all the testimony in the world, will not verify what a site visit can."

Salmon said assessors have an obligation to local taxpayers who pay for services they may not get if a large number of new exemptions are approved.

"We act as guardians of the gate," he said. "We're trying to make sure we're acting in the best interests of the community."

Kiy said there are ways to verify accomplishments.

"It's a fair question to say, 'Where's the benefit to California?'" he said.

In the case of the International Community Foundation, Kiy said, examples abound. The foundation has:

Provided health care and education services in Oaxaca. An estimated 50,000 Oaxacan migrant workers are living in San Diego County.

Helped protect parts of Laguna San Ignacio, an important breeding and rearing ground for the gray whale in Baja California Sur, Mexico.

Guided foreign giving by California companies, which in turn helps business build a favorable presence and increase sales.

"When the (1944) act was written, it only contemplated people," Kiy said. "But think of the interconnection between flora, fauna and the biodiversity of the planet."

In opposing a broader view, the California State Association of Counties

points to the intent of voters when they passed a 1944 ballot measure spelling out how charities could qualify for an exemption.

"The tax break was not conceived as a moral reward, but a pragmatic policy realization that these organizations are providing services for which the government would otherwise be responsible," the association argued in a bulletin sent to county officials.

"Secondly, the proposed change has the potential to remove a significant amount of property from the tax rolls," the bulletin read.

David Shirk, a University of San Diego political scientist who specializes in Mexico relations, argues that California benefits from cross-border assistance programs.

"To limit our attention to just one side of the border would be incredibly short-sighted," said Shirk, director of the Trans-Border Institute.

"We are one region. Thus, when organizations make social investments in improving health, sustaining the environment or even educating our neighbors in Mexico, they help to improve the overall quality of life in the greater San Diego-Tijuana region."

For the International Community Foundation, a change in state policy became a cause when it moved ahead with plans to relocate its headquarters to a historic Victorian house in National City. The home was bequeathed to the foundation by an heir to the Wal-Mart empire, the late John Walton, and his wife, Christy.

The foundation learned that the home and nearly 7 acres was accompanied by an annual property tax bill of about \$20,000.

"We were not planning on paying property tax," Kiy said. "We were surprised when this issue came up."

Still, it represented a savings compared with paying monthly rent, he said.

The foundation, which plans to move in by mid-April, will continue to pay its property tax while pursuing the appeal, Kiy said.

"We'll cross our fingers and hope for the best."

The other six charities that have filed appeals, according to the state board, are Rotaplast International of San Francisco, Relief International of Los Angeles, Lifewater International of San Luis Obispo, Assist International of Scotts Valley, Green Cross International of Pearblossom, and the East Meets West Foundation of Oakland.

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