



Briefing Sessions on Real Estate Taxes in Allegheny County

INSTRUCTIONS FOR RESPONDING TO 2013 ALLEGHENY COUNTY PARCEL REVIEW

OVERVIEW OF REVIEW

Allegheny County Office of Property Assessments (OPA) is conducting a review of parcels designated tax exempt under the Institution of Purely Public Charity classification. You may have received a letter from OPA indicating that their records show that your property falls within that classification. In order to maintain the tax-exempt status of your property, you are required to explain to OPA how your institution meets the five-prong HUP test.

WHO MUST FILE

All organizations that have received the OPA letter must respond in writing or electronic form. If you have not received the OPA letter, but have property that is tax exempt under the Institution of Purely Public Charity classification, you should contact OPA.

WHO IS NOT REQUIRED TO FILE

Other organizations who own property designated tax exempt under other classifications (places of worship, nonprofit burial grounds, public property used for public purposes or military use properties) do not have to file, since those parcels are not currently under review.

WHEN AND HOW TO FILE

If your organization received a letter from the County, and you are an Institution of Purely Public Charity, you have sixty (60) days from the date of the letter to respond. You are requested to demonstrate that your organization meets ALL five prongs of the HUP Test and to provide supporting documentation. The documentation may include financial statements, tax returns, IRS Determination Letter, IRS Form 1023 and your Articles of Incorporation. **All pages of your submission, including all attachments and schedules, must have your name and Tax ID number at the top of each page.**

The response is not limited in size, and it may be filed electronically or in hard copy. Electronic replies can be submitted to TaxexemptHUP@alleghenycounty.us. Hard copy replies can be delivered or mailed to Office of Property Assessments, 400 North Lexington Avenue, Suite LL 109, Pittsburgh, PA 15208.

You must complete the “HUP Test” Cover Sheet and Review Application attached to your letter. **Failure to file may result in loss of your tax-exempt status.**

EXTENSION OF TIME TO FILE

An extension of time may be granted for good cause. A written request for extension must be submitted.

HELPFUL HINTS

This Instruction Sheet has been prepared by the Greater Pittsburgh Nonprofit Partnership (GPNP) as guidance to help you respond to the County’s request. It is advisory in nature and provides helpful hints to facilitate your response. It is intended to provide a clear and consistent response. You may want to review the County’s website for other helpful hints for responding to this review. See, www.alleghenycounty.us/assessments/exemptfaq. Keep a copy of your full response for your records.

SPECIFIC INSTRUCTIONS

Cover Sheet and Review Application - Provide the following information:

1. Address of parcel.
2. Parcel’s tax ID number.
3. Is there a pending appeal?
4. If so, when was it filed?
5. Did you own the parcel on January 1, 2013?
6. If so, was the parcel used for tax-exempt purposes as of January 1, 2013?
7. If so, describe the use.
8. What is the parcel’s current use?
 - a. What is the square footage of the exempt portion of the building or area?
 - b. Is the property currently being renovated or under construction?
 - c. If so, please provide surveys, maps and/or permits.
 - d. Is the property being rented or leased?
 - e. If so, list name of occupants and square footage rented.

Specific Instructions for Compliance with the HUP Test.

Hospital Utilization Project v. Commonwealth of Pennsylvania was decided by the Pennsylvania Supreme Court on February 13, 1985. This case tried to explain what the Pennsylvania Constitution meant by the term “Institution of Purely Public Charity.” It identified five criteria that satisfied the Court’s definition. This case continues to be good law and has been upheld as the legal standard for charitable-tax exemption in Pennsylvania.

Applying HUP

You are being asked to show how your organization meets ALL five prongs of the HUP test. The HUP criteria are very general and do not provide details or clear explanation of what the terms mean. This Instruction Sheet offers some helpful hints for you to consider when shaping your response. Please note that you must address all five criteria in order to complete this review.

1. ADVANCE A CHARITABLE PURPOSE.

- A. Do your Articles of Incorporation describe a specific charitable purpose? If so, where is that language?

- B. Does your organization's mission and programs advance any of the following charitable purposes? Describe.
 - i) Relieve poverty?
 - ii) Assist the aged?
 - iii) Combat juvenile delinquency?
 - iv) Advance education?
 - v) Advance religion?
 - vi) Provide health care - prevention or treatment?
 - vii) Advance governmental or municipal purposes?
 - viii) Advance purposes beneficial to the general public?

2. DONATE OR RENDER GRATUITOUSLY A SUBSTANTIAL PORTION OF ITS SERVICES.

[Tip: This test does not require a "bright line" or magic number of specific percentages. It must appear that your organization is making a bona fide effort to service those who primarily could not afford your usual fee. When responding to this prong, you may find it helpful to consider the following questions.]

- A. Does your organization donate or give away its services wholly to benefit the public?
 - i) Do you provide any free services? To whom?
 - ii) Do you have a sliding scale for fees? To whom?
 - iii) Do you offer any discounted fees? To whom?
 - iv) If so, approximately how many people take advantage of the reduced fees? Monthly? Annually?

- B. Do you have a "charitable care component?"
 - i) If so, what is the nature and amount of the free care?
 - ii) Does the charitable care component include the variance between actual cost and reimbursed cost?

3. BENEFITS A SUBSTANTIAL AND INDEFINITE CLASS OF PEOPLE WHO ARE LEGITIMATE SUBJECTS OF CHARITY.

- A. Are your clients unable to provide your services for themselves? If so, what is client base and what essential services do you provide?
 - i) How many of your clients would be otherwise unable to provide those services for themselves?
 - ii) Do you accept new clients? On what basis?
 - iii) Do you have an open admission policy?
- B. Have you been recognized by the Internal Revenue Service as a § 501 (c)(3) charitable organization? If so, please attach your IRS Determination Letter.

4. RELIEVES GOVERNMENT OF SOME OF ITS BURDEN.

- A. If you did not provide your services, would government be obligated to fund or provide those services - directly or indirectly?
- B. Are those services a responsibility of government by statute or ordinance?
- C. Has a government agency historically provided those services? If so, which agency or municipality?
- D. Do your services reduce dependency on government programs? If so, how?

5. OPERATES ENTIRELY FREE FROM A PRIVATE PROFIT MOTIVE.

[Tip: This prong does not prohibit a charitable organization from making a profit; rather it focuses on how that profit or surplus is used and applied.]

- A. Do your governing documents prohibit private inurement (giving a private benefit to an individual person)? If so, where does that language appear?
- B. Do your governing documents contain a Dissolution Clause (providing that upon dissolution or termination, the remaining assets will go to another charity and not to a private person)? If so, where does that language appear?
- C. Is all profit (revenue in excess of expense) dedicated to your public purpose?
- D. Is your profit placed in a reserve for future use? Describe.
- E. Do you have a Reasonable Compensation Policy? Does it specify a process for determining reasonable compensation for services rendered? If so, please attach.
- F. Do you have a Conflict of Interest Policy? If so, please attach.

ENDNOTE

This template has been prepared by GPNP for your use. Allegheny County may request additional information and documentation. Please review any additional requests with your counsel.