

Qualified Tax-Exempt Organizations FAQs

1. If my organization has tax-exempt status under the federal Internal Revenue Service, why does it need to complete this application for exemption from real estate and personal property taxes?

Answer: The IRS determines your organization's tax-exempt status for federal income tax purposes. Your organization's IRS tax-exempt status helps it qualify for a tax exemption from property taxes, but Virginia law has two other requirements: 1) that your organization be in a qualified category or have received a qualified designation; and 2) that your property be actively in use for your organization's nonprofit purpose. So, the application asks you to certify that your organization is in a qualified category or received a qualified designation, and asks that you provide information about its use of property located in the county.

2. What are the qualifying categories for exemption for real and personal property in Virginia?

Answer: In addition to churches and religious bodies, the qualifying categories are American Red Cross, Boy's/Girl's Club of America, Boy/Girl Scouts of America, Cemetery, Church or Religious Body, Club (only Farm Associations, 4-H, Home Demonstration, Future Farmers, Future Business Leaders, College Alumni Associations or Foundations), Habitat for Humanity, Hospital, Lodge, Museum, Park or Playground (if held by trustees for public use), Public Library, School, SPCA, Veterans of World War I Auxiliary, Volunteer Fire or Emergency Medical Services, and YMCA or similar organization. In addition, prior to 2003, the Virginia General Assembly designated 1,000 specific organizations by name for tax exemption; these organizations are exempt by designation. Organizations in qualified categories or with a designation are referred to as "**qualified organizations.**"

3. Why is an application process being required for qualified organizations?

Answer: Other tax relief programs that the county provides its residents (e.g. Land Use, elderly/disabled tax relief) are based on applications, so creating an application process brings this tax exemption in line with the other tax relief programs. The application process will enable the county to have the documents and information that justify the qualified organizations' tax exemptions already being provided for real and personal property in the county. Adopting this application process supports the county's goal of being a good steward of taxpayer dollars. Although other tax relief programs require annual applications, information to support these tax exemptions would only be required every 3 years.

4. Why is there a separate application for churches and religious bodies?

Answer: Churches and religious bodies are separately identified in the Virginia Constitution and under state law and they can be organized in many different ways and fall under different legal standards. Accordingly, there is a separate application for churches and religious bodies which takes into account these differences.

5. What will qualified organizations have to report about their personal property?

Answer: A qualified organization's personal property is exempt from local tax, but, in order to limit the paperwork and time burden on the organizations and county staff, the Commissioner of Revenue does not require that any personal property be listed or identified on the application.

6. Why does property have to be “actively and exclusively in use” for a qualified organization’s nonprofit purposes to be tax-exempt?

Answer: The Virginia Constitution, state law, and binding court decisions have held that the standard for real estate and personal property of qualifying entities to be exempt from local taxes is “actively and exclusively in use” for the qualified organization’s tax-exempt purpose. However, courts and administrative agencies have not applied that standard as stringently as it sounds. If, for instance, your qualified organization owns a 5-acre parcel of land, but the building and parking occupy only the center 3 acres of the parcel and there are wooded areas around the perimeter of the property, your entire 5-acre parcel will be considered tax-exempt because the portion of the property that is unused isn’t developable for another use; its only real use is as a buffer around the existing facility.

7. If a qualified organization allows its facilities to be rented, leased, or used by its members or the public, is the property still allowed to be tax-exempt as “actively and exclusively in use” for nonprofit purposes?

Answer: Yes, so long as the facility’s dominant purpose is for the nonprofit purposes of the qualified organization and the rental does not generate a substantial net revenue for the tax-exempt entity, then the rental or use of the facility does not negate its tax-exempt status. That means that your qualified organization can allow its facility to be used for community meetings, can rent its facilities for weddings, receptions or other events, and can allow its facility to serve as an election polling place without losing its tax exemption for the property, so long as the rentals do not generate substantial revenue.

8. What is the process and effective date for the new application ordinance?

Answer: The public hearing on the application ordinance is scheduled for September 5, 2023, and it will become effective immediately if it is adopted. If the ordinance is adopted, county staff will be sending applications shortly thereafter and asking for completed applications to be returned by the end of October. In future years, applications will be due by December 31, but county staff is trying to receive them earlier since we anticipate receiving approximately 75 initial applications this year.

9. Is there an option to submit the application or renewal electronically?

Answer: Yes, you can scan your application and email it to assessor@goochlandva.us. You can also request a Word version of the application by sending a request to assessor@goochlandva.us. At this time, there is no .pdf fillable application available for you to complete; one may be available in the future.

10. Will we have to complete this application every year?

Answer: No. The application needs to be completed this year for qualified organizations whose real property in the county is not being taxed. In three years, a renewal will be required. The renewal application, though, will not ask you to send in the same information; it will only ask for any updates or changes to the information submitted with the initial application. Any new qualified organization that forms or moves to the county will need to complete an application if it wants to exempt real or personal property it owns in the county.