NFP Exemptions

1. Not-for-Profit exemptions are granted for properties that meet a two-prong test: the property must be owned completely and wholly by an NFP organization and the property must be used for one or more exempt activities.
2. Examples of exempt purposes are religious activities, hospital, educational, charitable, benevolent, etc. These categories are listed in NYS Real Property Tax Law Sections 420a and 420b.
3. There are a number of religious activities that would qualify. These include: religious services, religious education, youth ministry, holiday events, marriage preparation and counseling, etc.
4. To obtain an NFP exemption from property taxes the owner, or its representative, must file an application with the Department of Finance (DOF). Exemptions are not granted automatically. There is an application online, which can be filled out, scanned, and sent to DOF (it can also be mailed). Along with the application, the owner should also send in the Articles of Incorporation (if any exist), the bylaws, a copy of the deed, the organization’s federal tax-exempt status (if one exists), and a detailed use of the property.
5. Religious organizations are not required to obtain federal tax-exempt status (also known as 501(c)3), as they are presumed to have that status by their structure.
6. DOF can also grant exemptions if the property is not currently being used for exempt activities but is contemplated for exempt use in the foreseeable future. To obtain an NFP exemption for contemplated use, the owner should, in addition to submitting the information listed above, provide detailed plans for the development of the property. These could include DOB construction permits, architectural or engineering plans, proof of a building fund, and board resolutions authorizing the development.
7. If an exemption for contemplated use is granted, the owner must demonstrate annually that continual progress is made towards the final use of the property. Once construction is complete, the owner will submit a new application detailing the actual use of the property.
8. DOF grants exemptions for housing only when it is in furtherance of the underlying mission of the organization. Examples of this would include student or faculty housing for a school, housing for doctors working at a hospital, the officiating clergy and caretaker of a house of worship, and housing where supportive services are provided on-site.
9. There are a number of activities that do not qualify for an NFP exemption even if the property is owned by an NFP organization. These include: renting to a commercial entity, renting to another NFP organization and making more in income than is spent on maintenance and depreciation of the property, using the property for housing for other purposes than those listed before.
10. To keep an exemption, an organization must file an annual renewal with DOF, and indicate if there are any changes in the nature of the organization or use of the property.
11. Exemptions can start as of the date of deed, provided that the property was purchased after August 2007 (this is the result of a change in the law). Owners should submit an application as soon after purchase as possible. If DOF receives an application within a year of the deed date, we will generally grant an approved application retroactively to the purchase date. If the application is received later than that, the applicant must provide proof of the exempt activities that occurred at the property to be approved retroactively to the deed date. Applications for properties that were purchased prior to August 2007 and those that do not demonstrate exempt usage prior to the application will only be granted to the date the application was received.
12. Exemptions can cancel property taxes from the date of deed; they cannot cancel any property taxes that were imposed prior to the date the NFP organization bought the property. This means that if the prior owner did not pay charges and your organization bought the property with them, you are responsible to pay these. Additionally, external agency charges for sidewalk repair, Department of Health inspection fees, clean-up fees from Sanitation or Health, or any other external agency charges are not covered by the exemption and are the responsibility of the owner to pay.
13. A full NFP exempt property is not required to file Real Property Income and Expense statements, but properties that are partially exempt must do so. Business Improvement District charges are usually waived for fully exempt NFP properties, but that is the discretion of the BID and not DOF
14. A property can receive a partial exemption if a portion of the property is unused or used for a non-exempt activity (such as being rented to a commercial tenant). DOF calculates partial exemptions based on the square footage that is unused or rented.