

CITY OF OAKLAND
OFFICE OF FINANCE
REVENUE DIVISION

DIRECTOR OF FINANCE RULING NO. 27

Exemption for Gross Receipt of Not-for-Profit
Community Service Organizations
(As distinguished from 501(s)(3) organizations)

PURPOSE

To provide an exemption from taxation for those entities that provide valuable, desirable and needed services to Oakland residents and locally owned and locally situated businesses. Such organizations have not heretofore been exempt from the Oakland business tax for non-profit organizations but meet certain qualifications that place them in a position to satisfy the City of Oakland's policy guidelines that allow such exemption.

A Community Service Organization, in order to qualify for an exemption must have the following economic profile:

1. Be primarily volunteer in composition
2. Have gross receipts limited to:
 - charitable contributions
 - governmental grants, subsidies or loans
 - in-kind services without compensation or direct financial benefit to the benefactor
3. Have no net income; no surplus revenues, except for carry-over of amounts to be used in the subsequent fiscal or calendar year; no dividends disbursed or credited; and no shares issued or held in the Community Service Organization.
4. Not be affiliated with, or financially supported by or dependent on, any commercial or industrial entity or person, corporate or otherwise, that derives direct or substantial economic benefit from the stated purpose(s) of the Community Service Organization;
5. Not be a member, owner or subsidiary of any commercial entity or association or its lobbying group, agent or union organization;

6. No direct financial or monetary gains may be received by the members, employees or the organization itself, other than payment of incidental expenses for rendering services to the Community Service Organization in the furtherance of its stated purpose(s); and
7. Use of the revenue received or services provided to Community Service Organization must be directly related to the implementation or furtherance of the Community Service Organization's stated purpose.

BACKGROUND

In order to foster greater individual and community participation in local government decision making, the City of Oakland encourages its citizenry to organize and address issues in a unified manner. Some of the groups that have been formed are ad-hoc; others are designed to be permanent and on-going. In 1997, one such group was brought to the attention of the Business Tax Section. In seeking to obtain information to make a determination of whether or not such group was subject to business taxation, the Financial Services Agency became aware of a number of locally situated groups operating within the City that had not obtained federal or state non-profit status or designation; however, each of these groups declared that it was functioning as a not-for-profit community organization or ad-hoc group that should not be subject to the business tax. A ruling of the Director of Finance was needed to address this issue.

RULING OF THE DIRECTOR OF FINANCE

The Community Service Organization must submit to the Financial Services Agency, Revenue Division, Business Tax section, a written Statement of Purpose delineating its objectives. Such Statement of Purpose shall included but not be limited to the following:

1. That the Community Service Organization's objectives be defined so as to support and promote the public health, safety and welfare of its targeted constituents or the local, i.e., the City of Oakland (including its contiguous communities), general public. Such objectives may include, but are not limited to, environment, infrastructure and governmental services or programs. The stated purpose(s) should include as a goal to communicate local community needs to local government entities but may also be addressed to state and federal governmental bodies; and
2. That the Community Service Organization is created to:
 - a. provide a forum for the individuals and groups that will be affected and benefited by the services or information made available by the Community Service Organization;
 - b. inform the general public through meetings, dissemination of written matter, media announcements or personal canvassing regarding the stated purposes;

- c. influence, inform and update local, state and federal governmental bodies and committees regarding issues affecting or promoting the stated purpose(s); and
- d. organize individuals and groups on an ad-hoc or on-going basis to support and promote the stated purpose(s) of the Community Service Organization.

Those community-based organizations that provide services consistent with a Statement of Purpose approved by the Financial Services Agency, Revenue Division, Business Tax section, shall be granted an exemption for gross receipts received by them in the furtherance of their stated objective as defined in such Statement of Purpose.

Organizations wishing to be granted this exemption must re-apply for this exemption every three years to retain eligibility.