



GUIDELINES FOR THIRD-PARTY USE OF UNIVERSITY PROPERTY

Seattle University is a 501(c)(3) tax-exempt educational institution. University property is therefore entitled to certain tax benefits, including an exemption from Washington state property taxes. Additionally, some of the University's buildings were financed using tax-exempt 501(c)(3) bonds. To maintain the tax exemption, the University must carefully limit and manage the third party "private" use it allows on its property. This document provides guidelines for allowing third parties to use University property and remain in compliance with federal and state tax laws. Please read it carefully and contact the Office of University Counsel if you have questions.

GUIDELINES FOR PRESERVING UNIVERSITY PROPERTY TAX EXEMPTIONS

Any person considering permitting the use of University property by a third party must adhere to Washington's requirements for preserving property tax exemptions. In general, these requirements provide that the University may use its property for its tax-exempt (educational) purpose only. Failing to adhere to these requirements will jeopardize the property's tax exemption and could subject the University to property taxes it would normally not have to pay. The following are the limited exceptions to this rule:

- 1. University property may be leased to another entity that is entitled to a tax-exemption.**
University property may be used by another entity that is entitled to a property tax exemption without a time limitation if the rent or donation received in exchange for the use is (1) reasonable and (2) does not exceed the maintenance and operation expenses attributable to the property being used. During this time, the third-party may use the property for its own fundraising events, if (1) such events are consistent with the third party's mission, (2) the event is less than five days long, and (3) 51 percent or more of the profits from the fundraising event 2)WpIe-4. nt

GUIDELINES FOR MAINTAINING 501(c)(3) TAX EXEMPTION

Some of the University's property was developed using 501(c)(3) tax-exempt bonds. The Director of Treasury and Risk Management maintains a list of the University property that was financed using these bonds. *Under the Internal Revenue Code, the proceeds the University received in exchange for these bonds must be directed to the University's tax-exempt (educational) purpose and not to private business or security interests.* Therefore, the use of bond-financed property for private business purposes unrelated to the University's educational purpose requires further analysis. Please contact the Director of Treasury and Risk Management and University Counsel regarding any such proposed use.

EXAMPLE SCENARIOS

Examples of uses that do not nullify property tax exemption.

To clarify the guidelines above, this section gives examples of uses by third parties that do not nullify the property's tax-exempt status. However, the tax results of each specific situation will be determined based on the facts and circumstances of each specific scenario. These scenarios also all assume that the property in question was not financed with tax-exempt (501(c)(3)) bonds.

1. University property use by students, alumni, faculty, staff, or other third parties for weddings, anniversary celebrations, family or school reunions, funeral services, or similar events. These uses are consistent with the educational or social programs of the University and the property remains exempt even when the persons or groups using the property also hire persons such as a caterer, a musical group, or a wedding photographer specifically for the event.
2. University property is used by third parties, such as members of the community, for lectures, presentations, musical recitals, seminars, debates, or similar educational activities. If the third-party use is contracted for and permitted by the University (for example when it pays the presenter directly, or when the participants or patrons pay the presenter directly) there is no loss of exemption. The presenter may also offer for sale, at the time of the presentation, books, tapes, CDs, or similar items that relate directly to the presentation.
3. University property is used by third parties such as students, alumni, faculty, staff, or members of the community for athletic activities or events on sports fields, tennis courts, and in buildings used for athletics. These uses are consistent with the athletic programs of the school or college and the property remains exempt.
4. University property is leased to third parties for educational or instructional programs, such as private instruction, tutoring, driving instruction, English as a second language or other language courses, examination preparation, or other similar programs. These programs are consistent with the educational programs of the University and the property remains exempt.
5. The University provides courses in vocational-technical skills, such as culinary arts, hotel management, automotive mechanics, or cosmetology. As a part of the course work, students obtain practical experience by providing products or services to the public, and charge fees for these services. As long as the charges to the public for these products or services are used for the University's educational, social, or athletic programs, this use of exempt property is consistent with the school's educational programs and functions and will not result in the loss of exemption.
6. A bank or credit union is invited to participate in student orientation by giving students information from a variety of local businesses about services that they may need while attending a school or college. This is considered a social or educational program of the school or college and will not cause the property to lose its exemption.
7. The University contracts with and permits third pa

faculty, and staff, and not primarily at the general public, and therefore will not result in a loss of exemption.

8. The University permits a business to use a conference room in University property to conduct its annual board retreat. This use constitutes promotion of business activity and would not result in loss of the property's tax exemption if the specific conference room had not already been used for 15 days of business activities.

Examples of uses that would result in the loss of tax exemption.

1. The University allows a bank or credit union to operate its business on University property. Such an activity is using the exempt property for pecuniary gain and to promote business activities and will cause the loss of exemption if the length of use exceeds 15 days.
2. An antique shop, gift shop, or retail store that sells a variety of merchandise, not necessarily directed to University students, faculty, or staff and occupies a University-owned building. Such a store does not provide a specific school or college related program or service and is being operated for pecuniary gain and to promote business activities. The tax exemption is nullified for the portion of the building occupied by the business.

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Questions?