

This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

NONPROFITS AND PERSONAL PROPERTY TAX
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Nonprofits often face difficult decisions when determining how to best allocate their resources. Fortunately, tax exemptions can help. Unintuitively, however, tax-exempt nonprofits may find themselves paying personal property taxes in Georgia under certain circumstances. This article discusses how personal property is taxed in Georgia, what exemptions are available to nonprofits, and what nonprofits can do to avoid a property tax surprise.

1. How is personal property taxed in Georgia?

Generally, personal property owned by individuals and corporations is taxed in Georgia. Personal property is typically valued at 40% of its market value and then subjected to a tax rate (also called a “millage rate”) established by the county. Personal property is ordinarily taxed in the county where the property owner resides, but for businesses, personal property can instead be taxed in the county where the business enterprise is located or conducted.

Nonprofits can expect to pay personal property tax on furniture, fixtures, machinery, and equipment. A taxpayer’s personal property (excluding motor vehicles, trailers, and mobile homes, all of which follow special rules) is exempt from taxation if the total value of all the nonprofit’s personal property does not exceed \$7,500. Most counties, to some degree, exempt inventory held by a business. Personal property taxes are filed annually on a [PT-50P](#) form, which is due on or before April 1st of each year. Form P5-50P requires the taxpayer to report the fair market value of their personal property owned as of January 1st.

2. What exemptions are there for nonprofits?

In order to avoid personal property taxes, a nonprofit must fall under some particular exemption listed within the Georgia [code](#). One such exemption applies to personal property owned by a “purely public charity” . This rule only applies when:

- The institution is devoted entirely to charitable pursuits;
- the charitable pursuits are for the benefit of the public; and
- the use of the property is exclusively devoted to those charitable pursuits.

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The code provides other exemptions for specific types of nonprofits. Some examples include exemptions for nonprofit hospitals, religious institutions, public libraries, homes for the elderly and mentally disabled, and veterans organizations.

A nonprofit should [contact](#) the tax assessor's office for the county in which it resides (or in which its operations take place) to determine the procedure required to claim an exemption. Fulton County, for example, requires nonprofits to complete a [questionnaire](#). If an exemption is granted in Fulton County, it applies for subsequent years unless the use of the property changes, in which case the nonprofit is required to report the change to the Board of Assessors. If the nonprofit acquires new property, it must submit a new questionnaire to obtain an exemption for the newly-acquired property.

3. How can a nonprofit reduce the risk of paying personal property tax?

A nonprofit must take care to structure its operations to avoid property tax pitfalls.

Property owned by a nonprofit is not exempt from taxation if it primarily functions to generate income. A nonprofit seeking to avoid property tax should ensure that income generated from its property is limited to what is necessary to carry on its charitable mission.

- For example, a clinic's personal property is taxable if it generates substantial profit chiefly for the benefit of its staff.
- In contrast, a nonprofit museum's personal property is not taxed, even if the museum charges an access fee, when the revenue generated by the property is merely applied to the museum's operating expenses and the property's primary function is charitable.

It is the personal property's use, not the owner's tax-exempt status, that determines whether or not the property is subject to taxation. A nonprofit should not assume that because it generally uses its personal property in a charitable fashion that it can use some of its property in a noncharitable fashion without paying property tax.

- For example, a nonprofit private school will be required to pay personal property tax on machinery that it uses to produce goods for sale.
- Likewise, a laptop routinely used by a charitable organization's president for personal use is subject to tax.
- But a van owned by a religious group and used for the exclusive purpose of transporting individuals to religious services is tax exempt (although the personal property exemption does not cover sales and use taxes such as the title ad valorem tax paid when the vehicle title is transferred).

Successive owners are liable for taxes owed by previous property owners. Before a nonprofit acquires personal property, it should ensure that the previous owner has fully paid accumulated personal property taxes.

- For example, when a nonprofit corporation acquires property in April, it becomes liable for any unpaid personal property taxes which attached to the property on January 1st. In such a circumstance, both the tax-exempt character of the institution and the manner in which the institution uses the property are irrelevant. The property was *previously* taxable, the tax was not paid, and that liability does not vanish when the asset is transferred to another owner.
- To mitigate the risk of assuming unpaid personal property tax liabilities, a nonprofit company acquiring personal property can:
 - Require that the seller provide proof of payment, including prior years' personal property tax returns that list the personal property being sold and records of payment
 - Search county websites for records of personal property taxes. For example, Fulton County has a [personal property search tool](#) that shows limited tax records for personal property owners (although please note - county online search tools may not provide an asset-by-asset breakdown). Buyers may also call the county assessor's office to inquire about personal property tax records.
 - Include language in the contract or asset purchase agreement that the seller
 - represents and warrants that they have paid all personal property taxes due and owing on the personal property being sold
 - indemnifies the buyer against any unpaid personal property taxes

4. Recommended Next Steps

Georgia nonprofits should ensure that they have obtained personal property tax exemptions from all counties in which they own personal property. As the exemption process differs across counties, the nonprofit or their accountant should check county websites for the county's exemption process, and if needed, reach out to county assessors' offices with questions. The personal property exemption process is ongoing: if a nonprofit acquires new personal property, the nonprofit will need to apply for an exemption for the newly-acquired personal property.

Additionally, nonprofits should submit Form [PT-50P](#) on or before April 1st of each year, which requires the nonprofit to provide the fair market value of personal property owned as of January 1st.