SANTA CLARA COUNTY

Sometimes you don’t have to pray for a tax break

Groups from Anglicans to Zoroastrians get to claim religious tax exemptions

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Choosing a religion is a matter of the spirit, but finding a place to worship is very much a matter of this world — and in Silicon Valley, that means contending with a notoriously brutal real estate market that can tax even churches’ coffers.

But religious groups that own or lease land — everyone from Anglicans to Zoroastrians — get a significant break: They don’t have to pay property taxes. In the valley, those groups got more than $1.4 billion in tax exemptions for 838 parcels of land in 2019, according to the most current data available from the Santa Clara County

Worshippers gather at Sikh Gurdwara San Jose on Feb. 9. The gurdwara received a nearly $25.4 million tax exemption in 2019.
Assessor’s Office.

Still, tax breaks for religious groups are tiny, representing about 5% of all the exemptions approved in fiscal year 2018-2019. Other top exemptions include $3.9 billion for hospitals and $12.7 billion for nonprofit colleges. That includes Stanford University, which owns $19.7 billion of property in Santa Clara County, of which almost $13.8 billion — including property categorized as hospitals, housing and more — is tax exempt. The findings come from an analysis of records from the county assessor’s office by a collaboration of local and national media, including this news organization.

But the exemptions, religious leaders say, are crucial for churches and temples to survive.

Thanks to donations from members and some savory land deals, a Sikh group in San Jose purchased a 40-acre plot of land in easternmost San Jose in 1995 for about $2.5 million on which they built a temple that today is assessed at almost $27 million, according to Bhupinder “Bob” Dhillon, president of the Sikh Gurdwara. The gurdwara received a nearly $25.4 million tax exemption in 2019, until recently the largest property tax break for a religious organization in Santa Clara County.

“(The tax exemption) does help,” Dhillon, a former SanJose planning commissioner, said. “If your expenses go up, you need more donations.”

The gurdwara, the largest of its kind in North America, is one of the most awe-inspiring religious structures in the Bay Area, with a view that encompasses much of San Jose. It includes a prayer hall that sees some 10,000 devotees on Sundays, two commercial kitchens that serve thousands of free daily vegetarian meals and even a 700-student school on Sundays, a free health clinic and basketball courts. The grand opening, in 2011, was attended by then-Gov. Jerry Brown and then-Mayor Chuck Reed.

“This place is just amazing, you feel at home,” said Pushpinder Singh, principal of the gurdwara’s school.

It’s a far sight from the community center the gurdwara rented in the mid-1980s, and much bigger than the 5-acre property it later owned in east San Jose’s Quimby Road. Through it all, having a place to come together has been invaluable, Singh said, adding that her kids grew up attending the gurdwara’s school and eventually married there.

“It brings the community together,” Dhillon said.

The gurdwara is perhaps the most visible recipient of a religious tax exemption, but an analysis of data from the county assessor’s office found that the majority of exemptions — more than $1.2 billion — went to Christian groups. About $175.7 million in breaks were for Catholic properties, including a roughly $173.8 million exemption for the headquarters of the Daughters of Charity of St. Vincent de Paul in Los Altos Hills, and $4.1 million for the Cathedral Basilica of St. Joseph in downtown San Jose.

The largest exemption in the county is nearly $33.4 million break for the River of Life Christian Church in Santa Clara, which in late 2018 opened a new 30,000-square-foot facility and an outdoor plaza.

Toby Kurth, who works with recently established Christian churches throughout the Bay Area, said though tax exemptions are a benefit they are not enough to keep a church afloat. Many have started finding creative ways to make ends meet, like running preschools or renting out space to smaller, less-established churches.

“In places where property prices are an issue, you have to think about property in a more multifaceted way,” he said.

Those creative ways still have to follow the law, though. The law regarding religious exemptions is broad as far as what is considered a religion and focuses on how the property is used — to bring together people who share a common belief. That belief doesn’t have to include a deity.

Occasionally, churches will operate marijuana dispensaries on-site. The assessor’s office can’t weigh in on whether that’s a legitimate means of reaching a higher power, but the sale of cannabis makes the church property commercial dual-use and therefore ineligible for a tax break.

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The criteria for religious exemptions was established by a 1960s Bay Area lawsuit.

In that case, the Oakland Fellowship of Humanity sued Alameda County, arguing they were entitled to the same tax exemptions as Christian churches. A state appellate court ruled in the humanists’ favor and created the legal standard the county assessor uses to determine what is a religion:

“Religion simply includes: (1) a belief, not necessarily referring to supernatural powers; (2) a cult, involving a gregarious association openly expressing the belief; (3) a system of moral practice directly resulting from an adherence to the belief; and (4) an organization within the cult designed to observe the tenets of belief. The content of the belief is of no moment.”

For Kurth, tax breaks for religious groups are no different than those given to nonreligious nonprofits and are intended to foster groups seen as beneficial to the community.

“It’s a broad thing that we, as a nation, decided to do that’s good for a plural society,” Kurth said.