



THE ARCHDIOCESE OF SAN FRANCISCO

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MEDIA RELEASE

COURT ISSUES FAVORABLE PRELIMINARY RULING FOR ARCHDIOCESE IN TRANSFER TAX CASE

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(November 18, 2011) The San Francisco Superior Court has issued a tentative ruling, rejecting the attempt of the City and County of San Francisco to impose a documentary transfer tax on an internal reorganization of the Archdiocese of San Francisco. The Archdiocese is gratified that after more than three years of legal struggle, the San Francisco Superior Court has invalidated an attempt by Phil Ting, the San Francisco Assessor/Recorder, to impose an unwarranted tax on the parishes and schools of the Archdiocese.

The Assessor/Recorder tried to impose millions of dollars of documentary transfer taxes on an internal reorganization by the Archdiocese. This effort came despite the fact that the City's documentary transfer tax ordinance applies only to property "sold" in San Francisco, and specifically exempts internal reorganizations of this kind. The Court's tentative ruling correctly holds that under the San Francisco Ordinance no tax could be imposed because the Archdiocese did not "sell" this property and that the transaction was merely a change in corporate form. The Court further held that state law precludes the City from imposing such a tax.

The Assessor/Recorder had tried to charge documentary transfer taxes on more than 200 San Francisco parish and school properties involved in the Archdiocese's reorganization. The Assessor/Recorder's office acknowledged that until now it has never levied such a tax, and that no other county has ever done so, either, and admitted that it has never taxed similar transactions even by for-profit companies.

The San Francisco Superior Court agreed with the Archdiocese and rejected the Assessor/Recorder's attempt to exceed the San Francisco ordinance and charge these unprecedented taxes.

George Wesolek, director of communications for the Archdiocese, commented that, "The Archdiocese of San Francisco is delighted that the Superior Court has vindicated the position the Archdiocese has taken all along, and has rejected this unilateral attempt to ignore existing tax law and practice. The land and buildings involved are all used to serve the nearly half-million families and children in the Archdiocese's parishes and schools and countless others. The attempt of the Assessor/Recorder's Office to profit improperly from those beneficial works would have had a crippling effect on the parishes and schools. It would have chilled the missions of this and all churches, religions and non-profit organizations in the City, and would have sent ripples through the for-profit community as well. Fortunately, the Court rejected this effort, which would have had a profound impact on religious and non-profit organizations. Ironically, if Mr. Ting's office had been successful, the tax would have drained, not filled, the City's coffers; it would have cost the City an enormous sum to replace the services now being provided with this money, such as schooling for thousands of children. The Assessor/Recorder apparently expected the Archdiocese to roll over in the face of this attack, but underestimated the resolve of the Church. It is unfortunate that the Assessor/Recorder's miscalculation forced the Archdiocese to spend more than three years and hundreds of thousands of dollars in attorneys' fees to defeat this illegal action, but the Archdiocese is hopeful that the Assessor/Recorder's office will now be dissuaded from taking similar measures in the future."

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