



Department of Local Government Finance

Not-for-Profits

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Disclaimer

This presentation and other Department of Local Government Finance materials are not a substitute for the law. The following is not legal advice, just an informative presentation. The Indiana Code always governs.



Not-for-Profits

- I. Definitions
 - II. Exemptions
 - III. Common Issues/Problems
 - IV. Case Law Updates & Review
 - V. Frequently Asked Questions
 - VI. Questions
- *** The Department of Local Government Finance (DLGF) does not get involved in individual property tax assessments or appeals.



Definitions

- **IC 6-1.1-10-16 Exemption of building, land, and personal property used for various purposes; termination of eligibility for exemption**

Sec. 16. (a) All or part of a building is exempt from property taxation if it is owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes.

(b) A building is exempt from property taxation if it is owned, occupied, and used by a town, city, township, or county for educational, literary, scientific, fraternal, or charitable purposes.

(c) A tract of land, including the campus and athletic grounds of an educational institution, is exempt from property taxation if:

- (1) a building that is exempt under subsection (a) or (b) is situated on it;
- (2) a parking lot or structure that serves a building referred to in subdivision (1) is situated on it; or
- (3) the tract:



Definitions

- (A) is owned by a nonprofit entity established for the purpose of retaining and preserving land and water for their natural characteristics;
 - (B) does not exceed five hundred (500) acres; and
 - (C) is not used by the nonprofit entity to make a profit.
- (d) A tract of land is exempt from property taxation if:
- (1) it is purchased for the purpose of erecting a building that is to be owned, occupied, and used in such a manner that the building will be exempt under subsection (a) or (b); and
 - (2) not more than four (4) years after the property is purchased, and for each year after the four (4) year period, the owner demonstrates substantial progress and active pursuit towards the erection of the intended building and use of the tract for the exempt purpose. To establish substantial progress and active pursuit under this subdivision, the owner must prove the existence of factors such as the following:



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- (A) Organization of and activity by a building committee or other oversight group.
- (B) Completion and filing of building plans with the appropriate local government authority.
- (C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within four (4) years.
- (D) The breaking of ground and the beginning of actual construction.
- (E) Any other factor that would lead a reasonable individual to believe that construction of the building is an active plan and that the building is capable of being completed within eight (8) years considering the circumstances of the owner.



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If the owner of the property sells, leases, or otherwise transfers a tract of land that is exempt under this subsection, the owner is liable for the property taxes that were not imposed upon the tract of land during the period beginning January 1 of the fourth year following the purchase of the property and ending on December 31 of the year of the sale, lease, or transfer. The county auditor of the county in which the tract of land is located may establish an installment plan for the repayment of taxes due under this subsection. The plan established by the county auditor may allow the repayment of the taxes over a period of years equal to the number of years for which property taxes must be repaid under this subsection.

(e) Personal property is exempt from property taxation if it is owned and used in such a manner that it would be exempt under subsection (a) or (b) if it were a building.

(f) A hospital's property that is exempt from property taxation under subsection (a), (b), or (e) shall remain exempt from property taxation even if the property is used in part to furnish goods or services to another hospital whose property qualifies for exemption under this section.



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(g) Property owned by a shared hospital services organization that is exempt from federal income taxation under Section 501(c)(3) or 501(e) of the Internal Revenue Code is exempt from property taxation if it is owned, occupied, and used exclusively to furnish goods or services to a hospital whose property is exempt from property taxation under subsection (a), (b), or (e).

(h) This section does not exempt from property tax an office or a practice of a physician or group of physicians that is owned by a hospital licensed under [IC 16-21-2](#) or other property that is not substantially related to or supportive of the inpatient facility of the hospital unless the office, practice, or other property:



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- (1) provides or supports the provision of charity care (as defined in [IC 16-18-2-52.5](#)), including providing funds or other financial support for health care services for individuals who are indigent (as defined in [IC 16-18-2-52.5\(b\)](#) and [IC 16-18-2-52.5\(c\)](#)); or
- (2) provides or supports the provision of community benefits (as defined in [IC 16-21-9-1](#)), including research, education, or government sponsored indigent health care (as defined in [IC 16-21-9-2](#)).

However, participation in the Medicaid or Medicare program alone does not entitle an office, practice, or other property described in this subsection to an exemption under this section.

(i) A tract of land or a tract of land plus all or part of a structure on the land is exempt from property taxation if:



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- (1) the tract is acquired for the purpose of erecting, renovating, or improving a single-family residential structure that is to be given away or sold:
 - (A) in a charitable manner;
 - (B) by a nonprofit organization; and
 - (C) to low income individuals who will:
 - (i) use the land as a family residence; and
 - (ii) not have an exemption for the land under this section;
- (2) the tract does not exceed three (3) acres; and
- (3) the tract of land or the tract of land plus all or part of a structure on the land is not used for profit while exempt under this section.

(j) An exemption under subsection (i) terminates when the property is conveyed by the nonprofit organization to another owner.



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(k) When property that is exempt in any year under subsection (i) is conveyed to another owner, the nonprofit organization receiving the exemption must file a certified statement with the auditor of the county, notifying the auditor of the change not later than sixty (60) days after the date of the conveyance. The county auditor shall immediately forward a copy of the certified statement to the county assessor. A nonprofit organization that fails to file the statement required by this subsection is liable for the amount of property taxes due on the property conveyed if it were not for the exemption allowed under this chapter.

- (l) If property is granted an exemption in any year under subsection (i) and the owner:
- (1) fails to transfer the tangible property within eight (8) years after the assessment date for which the exemption is initially granted; or
 - (2) transfers the tangible property to a person who:



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- (A) is not a low-income individual; or
- (B) does not use the transferred property as a residence for at least one (1) year after the property is transferred; the person receiving the exemption shall notify the county recorder and the county auditor of the county in which the property is located not later than sixty (60) days after the event described in subdivision (1) or (2) occurs. The county auditor shall immediately inform the county assessor of a notification received under this subsection.

(m) If subsection (l)(1) or (l)(2) applies, the owner shall pay, not later than the date that the next installment of property taxes is due, an amount equal to the sum of the following:

- (1) The total property taxes that, if it were not for the exemption under subsection (i), would have been levied on the property in each year in which an exemption was allowed.
- (2) Interest on the property taxes at the rate of ten percent (10%) per year.



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(n) The liability imposed by subsection (m) is a lien upon the property receiving the exemption under subsection (i). An amount collected under subsection (m) shall be collected as an excess levy. If the amount is not paid, it shall be collected in the same manner that delinquent taxes on real property are collected.

(o) Property referred to in this section shall be assessed to the extent required under [IC 6-1.1-11-9](#).



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(p) A for-profit provider of early childhood education services to children who are at least four (4) but less than six (6) years of age on the annual assessment date may receive the exemption provided by this section for property used for educational purposes only if all the requirements of section 46 of this chapter are satisfied. A for-profit provider of early childhood education services that provides the services only to children younger than four (4) years of age may not receive the exemption provided by this section for property used for educational purposes.

[Pre-1975 Property Tax Recodification Citation: 6-1-1-2(5).] Formerly: Acts 1975, P.L.47, SEC.1. As amended by Acts 1979, P.L.51, SEC.1; P.L.74-1987, SEC.4; P.L.57-1993, SEC.7; P.L.25-1995, SEC.13; P.L.6-1997, SEC.35; P.L.2-1998, SEC.17; P.L.126-2000, SEC.4; P.L.198-2001, SEC.28; P.L.264-2003, SEC.1; P.L.196-2007, SEC.1; P.L.156-2011, SEC.2; P.L.197-2011, SEC.32; P.L.151-2014, SEC.1; P.L.181-2016, SEC.2; P.L.85-2019, SEC.2.



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IC 6-1.1-10-36.3 Property used or occupied for one or more stated purposes; applicability of exemption; limitations

Sec. 36.3. (a) For purposes of this section, property is predominantly used or occupied for one (1) or more stated purposes if it is used or occupied for one (1) or more of those purposes during more than fifty percent (50%) of the time that it is used or occupied in the year that ends on the assessment date of the property.

(b) The determination under subsection (c) of:

- (1) the use or occupation of the property; and
- (2) the application of an exemption; applies separately to each part of the property identified under [IC 6-1.1-11-3\(c\)\(5\)](#).



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(c) If a section of this chapter states one (1) or more purposes for which property must be used or occupied in order to qualify for an exemption, then the exemption applies as follows:

- (1) Property that is exclusively used or occupied for one (1) or more of the stated purposes is totally exempt under that section.
- (2) Property that is predominantly used or occupied for one (1) or more of the stated purposes by a church, religious society, or not-for-profit school is totally exempt under that section.



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(3) Property that is predominantly used or occupied for one (1) or more of the stated purposes by a person other than a church, religious society, or not-for-profit school is exempt under that section from property tax on the part of the assessment of the property that bears the same proportion to the total assessment of the property as the amount of time that the property was used or occupied for one (1) or more of the stated purposes during the year that ends on the assessment date of the property bears to the amount of time that the property was used or occupied for any purpose during that year. This subdivision does not apply to a for-profit provider of early childhood education services covered by section 46 of this chapter.

(4) Property that is predominantly used or occupied for a purpose other than one (1) of the stated purposes is not exempt from any part of the property tax.



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(d) Property is not used or occupied for one (1) or more of the stated purposes during the time that a predominant part of the property is used or occupied in connection with a trade or business that is not substantially related to the exercise or performance of one (1) or more of the stated purposes.

As added by P.L.66-1983, SEC.2. Amended by P.L.264-2003, SEC.3; P.L.151-2014, SEC.2.



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- **Hospital Facilities**
 - IC 5-1-4-26 (Hospital Bonding Authorities)
 - Authorities not required to pay any taxes or assessment upon or in respect of a project or any property acquired or used by authority.
 - IC 16-22-6-34 (County Hospital Building Authority)
 - Property owned by the authority is exempt from taxation.



Exemptions

- Based upon Indiana Constitution Article X, allowing the legislature to grant exemptions for municipal, religious, charitable, educational, literary, scientific purposes.
- Throughout the Indiana Code, there are specific exemptions that are not included in these broad categories.
- Examples include the fertilizer storage exemption, and an exemption for daycare facilities.
- There are others. Most exemptions though, fall into the main categories in IC 6-1.1-10-16.



Exemptions

- Specifically Exempt by Statute:
 - Political Subdivision Property—IC 6-1.1-10-4
 - Municipal Property—IC 6-1.1-10-5
 - Property must be used for a municipal purpose.
 - No requirement to file a Form 136 application.



Exemptions

- Specifically Exempt by Statute: IC 6-1.1-10-25
 - YMCA
 - Salvation Army
 - Knights of Columbus
 - Young Men's Hebrew Association
 - Young Women's Christian Association
 - A chapter or post of Disabled American Veterans of World War I or II
 - A chapter or post of the Veterans of Foreign Wars
 - A post of the American Legion or American War Veterans
 - Boy Scouts & Girl Scouts
 - Others by statute: Common areas, fraternity, sorority property.



Exemptions

- Predominate Use Test:
- Property must be used more than 50% of the time for one of the exempt purposes.
- If a property is used less than 50% for an exempt purpose, it does not receive any exemption at all.
- If a property is used more than 50% of the time for religious purposes, it receives a 100% exemption.
- If a property is used more than 50% of the time for other exempt purposes, it receives that corresponding percentage of exemption (e.g., 65% charitable use, 65% exemption).



Exemptions

- Once you determine if the use qualifies, then you look at percentages of use.
- If mixed use (exempt purpose & non-exempt) the taxpayer must keep time records.
- For example, 85% charitable use and 15% non-exempt use, property owner must keep records to qualify for an exemption.
- Most exemptions at the IBTR and Tax Court levels focus on charitable use.
- Owned, occupied, and used for an exempt purpose (need unity of all 3.)



Exemptions

- Easy examples of property that would likely qualify:
 - Property used 100% of the time by a nonprofit foodbank to provide food at no cost to those in need.
 - The property is owned by the foodbank.
 - A nonprofit provides medical services for free to those in need using their property exclusively for this work. Volunteers are used and it is funded through donations.



Exemptions

- Challenging Fact Patterns:
 - Property used 55% of the time by a nonprofit foodbank to provide food at no cost to those in need.
 - The property is owned by the foodbank. The remaining 45% of the time, the property is rented to a for-profit business selling its own food products.
 - A for-profit business (not a nonprofit) owns an empty building that it is not using. The company decides to provide it rent-free for 5 years to a charity that uses it 100% of the time for services for the poor.



Exemptions

- What questions do you ask to determine whether the property is eligible?
 - Study the exemption application; organizing documents (like bylaws); 1099 tax forms; case law; time records if mixed use; look at case law examples.
 - Generally, the rules/case law and statutes about exemptions have not changed much in decades.
- Examples that are generally easier to determine exempt use:
 - A church, mosque, temple (etc.) that has provided services, religious study with no mixed use involving non-exempt purposes.
 - Mixed use and other factors relating to use.



Common Issues/Problems

- What Property Use Code to use?
- There is one main Post Office and a few satellite offices. The main hub has a property class code of 600. The satellites all have a class code of 429. Should the satellites (all privately owned) be tax exempt?
- It depends on the specific lease agreement. Since this is fact/case sensitive, please consult your county attorney for specific legal advice/guidance.



Common Issues/Problems

- Leased Property:
- IC 6-1.1-10-37 Leases of exempt property; effect
- In general:
 - If real property that is exempt from taxation is leased to another whose property is not exempt and the leasing of the real property does not make it taxable, the leasehold estate and the appurtenances to the leasehold estate shall be assessed and taxed as if they were real property owned by the lessee or his assignee.
 - If personal property that is exempt from taxation is leased to another whose property is not exempt and the leasing of the personal property does not make it taxable, the leased personal property shall be assessed and taxed as if it were personal property owned by the lessee or his assignee.



Common Issues/Problems

- IC 6-1.1-11-3.8 Notice to county assessor of lease of certain property; county assessor notice to department of local government finance; department rules
- The lessor of exempt State or political subdivision property leased to an entity other than a nonprofit entity, governmental entity, or an individual who leases a dwelling unit in a public housing project, specified nursing facility, assisted living facility, or an affordable housing development must notify the county assessor of the county in which the real property is located in writing of:
 - the existence of the lease;
 - the terms of that lease; and
 - the name and address of the lessee.
- Each county assessor must annually notify the Department in writing of this information.



Common Issues/Problems

- *If a for-profit entity owns a building but leases a portion of the building to a non-profit entity, is the portion of the building leased to the non-profit entity exempt from property taxes?*
- Leasing property to an exempt organization does not qualify the titled owner of the property for the charitable property tax exemption. For a property to qualify for a charitable exemption, the taxpayer must demonstrate that its property is owned for exempt purposes, occupied for exempt purposes, and predominately used for exempt purposes.
- See Hamilton Co. Property Tax Assessment Bd. vs. Oaken Bucket Partners, LLC, 938 N.E.2d 654 (Ind. 2010).



Common Issues/Problems

- *If a for-profit entity owns a building but leases a portion of the building to a state agency, is the portion of the building leased to the state agency exempt from property taxes?*
- Yes, if the lease requires the state agency to reimburse the owner for property taxes. IC 6-1.1-10-2 states that real property leased to a state agency is exempt from property taxes if the lease, regardless of the commencement date, requires the state agency to reimburse the owner for property taxes. If a state agency leases less than all of a parcel of real property, the exemption provided by IC 6-1.1-10-2 is a partial exemption that is equal to the part of the gross assessed value of the real property attributable to the part of the real property leased by the state agency.



Indiana Board of Tax Review and Indiana Tax Court Cases



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Lutheran Homes v. Allen County (October 2023)**
- In this case, the IBTR held that Lutheran Homes was not entitled to a charitable-use exemption from property tax for its Piper Trail property.
- Piper Trail, a senior living facility and continuing care retirement community (CCRC) with entrance fees of over \$200,000 and monthly rents, did not qualify for a charitable purpose exemption.
- Lutheran conceived of, planned, and operated Piper Trail in a commercial manner.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Lutheran Homes v. Allen County (October 2023)**
- While Lutheran addressed some non-financial needs of Piper Trail's residents (which may, in some instances, qualify as charitable), it did so in a commercial, rather than charitable manner.
- Lutheran offered a limited, relatively well-off segment of the community the opportunity to age in place at Piper Trail instead of in their own homes or at a competing facility.
- The Court gave little weight to Lutheran's status as a nonprofit corporation and a CCRC, or its tax-exempt status under section 501(c)(3) - stating instead that a property's exemption is tied to its use.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Nappanee Power From the Past v. Elkhart County Assessor (October 2023)**
- The owners, a nonprofit board, contested the denial of Nappanee Power From the Past’s (“Power”) application for 100% exemption based on Ind. Code § 6-1.1-12-16, which is founded upon Indiana Constitution § 10, for a charitable and educational exemption for a 50-acre property.
- Purchased from Amish Acres. Power contended that the several building complex, was dedicated to community purposes of educating the public about agricultural farm implements and traditions. Four events per year included tractor pulls and participation in the Apple Festival.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Nappanee Power From the Past v. Elkhart County Assessor (October 2023)**
- While Power charged fees for attendance, the property was closed to the public the rest of the year, and stored farm implements.
- Although the assessor argued that Power, which was organized according to its Articles of Incorporation, to educate and discuss antique farm implements, toys, books, and other related items, showed no charitable use of the property, IBTR found otherwise.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Nappanee Power From the Past v. Elkhart County Assessor (October 2023)**
- It held that the property was predominately used, in accordance with Indiana Code, for charitable and educational purposes. Pointing to the McClain Museum case, (Indiana Tax Court) in which a one-person hobbyist owned and operated property sometimes open to the public to view military history items, won its case in Tax Court for an exemption, IBTR held that this was a similar hobby-themed use that qualified for a property tax exemption.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Nappanee Power From the Past v. Elkhart County Assessor (October 2023)**
- While the assessor also contended that the personal loans taken out by the nonprofit and given to directors also furthered her argument that the property was not owned for a charitable purpose, the IBTR noted that it was not within its purview to determine whether the nonprofit was well run.
- IBTR granted a 100% exemption to the property, except for the Bank Barn, owned for a family business.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- St. Joseph Regional Medical Center, Inc. sought an exemption for portions of medical pavilions that it rented to physicians and other medical providers.
- The PTABOA issued Form 120 determinations finding that each parcel was 63% exempt and 37% taxable.
- St. Joseph is a not-for-profit corporation that, among other things, operated a hospital on LaSalle Street during the times relevant to these appeals. The subject parcels contained three medical pavilions.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- The hospital directly occupied and used approximately 63% of the pavilions. St. Joseph rented the remaining 37% to doctors or other tenants who St. Joseph did not employ. St. Joseph did not receive any of the tenants' income, and St. Joseph charged what it thought was market rent.
- Tenant-doctors at the pavilions (1) were available for the hospital's residents, (2) "did some teaching" in conjunction with being tenants, and (3) "were supportive of the emergency room staff if they were needed."



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- St. Joseph claimed that the portions of the pavilions that it rented to doctors and other tenants should also be exempt because those tenants supported the hospital's exempt activities.
- Generally, non-profit hospitals maintained to "relieve the destitute and deserving" are charitable.
- Other property owned by a non-profit hospital, however, "does not automatically receive a charitable purpose exemption."



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- The mere fact that a licensed not-for-profit hospital owned property, even property occupied by hospital-employed physicians, does not automatically make that property exempt. Instead, the property must be either “substantially related to or supportive of the in-patient facility of the hospital,” or be used to provide certain defined types of charity care or community benefits.
- For purposes of IC 6-1.1-10-16(h), a hospital’s “inpatient facility” is not the “entire hospital,” but only that part where “admitted patients are provided overnight accommodations, meals and medical treatment.”



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- And to be substantially related to or supportive of a hospital's inpatient facility, a property must be associated, to a considerable degree, to a hospital's inpatient facility or provide considerable aid to, or promote to a considerable degree, the interests of a hospital's inpatient facility.
- St. Joseph offered little evidence to show how its tenants used the subject parcels to support St. Joseph's inpatient facility.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Joseph Regional Medical Center, Inc. v. St. Joseph Co. Assessor (Oct. 2010)**
- The fact that the pavilions may have operated at a loss does nothing to bolster the relationship between the pavilions' leased offices and inpatient part of St. Joseph's hospital.
- St. Joseph failed to make a prima facie case that the subject parcels were “substantially related to or supportive of” its inpatient facility.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- Parkview Memorial Hospital, Inc. (Parkview) appealed to the IBTR after the PTABOA denied Parkview's charitable exemption applications.
- The Petitioner contended that it qualifies for exemption under IC 6-1.1-10-16 for charitable purposes.
- The assessor contended the Petitioner's charitable acts were de minimis and do not qualify the property for exemption.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- The real property under appeal consisted of units of a medical office building located in Fort Wayne. The personal property consisted of office furniture and equipment, and medical equipment. The PTABOA determined the real and personal property to be 100% taxable.
- The parent organization, Parkview Health System, Inc., is a not-for-profit corporation, and was exempt from federal income tax under IRS Code Section 501(c)(3).



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- The corporation required the doctors it employed to assist in the furtherance of its charitable purpose by providing care to the indigent and being involved in community-benefit oriented programs.
- Approximately 8%-10% of the total physicians in PMG worked for them.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- Taxpayer Arguments: While the taxpayer acknowledged that the dollar amounts for indigent care were extremely small in relation to total revenue, the Petitioner stressed that PMG physicians must take indigent patients. The Petitioner contended that the statute does not indicate a percentage of indigent care standard that must be met in order to obtain an exemption from property taxes. Therefore, the percentage of indigent care was immaterial.
- The Petitioner suggested that the lack of a standard may be by design, and that the proper focus is whether the activities of the physicians further the exempt purpose of the hospital. Since the physicians had to take indigent patients, the Petitioner concluded that it furthered the hospital's exempt purpose.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- The assessor characterized the Petitioner's level of indigent care, as well as its level of community related benefits activities, as "de minimis", and contended there must be a minimum standard in indigent care given by a petitioner to obtain an exemption.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- In order to be exempt in whole or in part from property taxation, Petitioner must meet one or more of the following three standards or tests:
 - a) The “predominant use” standard as set forth in IC 6-1.1-10-36.3
 - b) The “substantial relation” test set forth in IC 6-1.1-10-16(h)
 - c) The “charity care” or “community benefit” obligation as set forth in IC 6-1.1-10-16(h).
- The latter two tests are directly applicable to the subject property.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- The Petitioner presented no evidence indicating that the predominate use of the property is providing indigent care or community benefits.
- The physicians offices were not reasonably necessary to further the exempt purpose of Parkview Health System, Inc.
- The amount of charitable and community service conferred upon the public by the Petitioner was insufficient to justify tax exempt status.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **Parkview Memorial Hospital v. Allen Co. PTABOA (March 2003)**
- The property did not qualify for exemption pursuant to IC 6-1.1-10-16. PMG provided at best a minimal amount of charity care and community benefits. The property in question was not predominately used, nor was it reasonably necessary, for the exempt purpose of Parkview Health System, Inc. The property was 100% taxable.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- This is a key case in Indiana law and assessing officials should read it carefully.
- In it, the Tax Court held that the Corporation, a holding company for property, did not prove that it should receive a charitable or religious exemption from property tax.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- For the 2014 and 2015 tax years, the Building Corporation sought exemptions for real property consisting of the building and two parcels, and the Hospital, the Medical Group, and the Breast Center sought exemption for personal property. The Warrick County Property Tax Assessment Board of Appeals found the property 100% taxable for both years, and this appeal followed.
- The Building Corporation was an Indiana nonprofit corporation. It held the deeds to the parcels on appeal, which included a medical building known as St. Mary's Epworth Crossing ("Epworth Crossing").



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- The Building Corporation sought a charitable and religious exemption for Epworth Crossing. The Building Corporation also sought exemptions on the same grounds for personal property located at Epworth Crossing and owned by the Hospital, the Medical Group, and the Breast Center.
- The Building Corporation sought an exemption for 82% of the property, which is the proportion of the facility leased to the Breast Center, the Medical Group, and the Hospital.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- A critical issue in this case was the factual relationship between the operations at Epworth Crossing and the Hospital's inpatient facility. The Building Corporation claimed that all of the space for which it sought an exemption was owned and operated by the Hospital as departments of the inpatient hospital or as separate, wholly owned not-for-profit 501(c)(3) entities that were departments of the inpatient facility.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- Exemptions, under Indiana law, are highly fact-sensitive. The body of law developed by the Tax Court has expressly declined to adopt bright-line tests or other abbreviated inquiries in determining eligibility for an exemption.
- The Tax Court cautioned that neither the language of one case nor an apparent trend from several cases should be construed as a per se rule that an applicant for exemption is automatically considered exempt by the mere character of its deeds. Thus, every exemption case stands on its own facts.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)**
- Pursuant to statute, exemptions are subject to the predominant use test. IC 6-1.1-10-36.3(c). The statute ensures that an exemption is only granted to property that is used or occupied in connection with a trade or business that is substantially related to the exercise or performance of one (1) or more of the stated [exempt] purposes.
- For each assessment year, the exemption is based on the use of the property during the year that ends on the assessment date of the property.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor – Indiana Tax Court (2019)**
- A taxpayer must demonstrate that its property was owned, occupied, and predominately used for an exempt purpose during the relevant tax year. Furthermore, the Petitioner must prove that the building is predominately used for exempt purposes more than 50% of the time.
- An exemption case stands on its own facts and, ultimately, how the parties present those facts.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor – Indiana Tax Court (2019)**
- Under IC 6-1.1-10-16(h), property owned by an exempt hospital does not automatically receive a charitable purposes exemption.
- Rather, the charitable purposes exemption does not apply to other property owned by a hospital that is not substantially related to or supportive of its inpatient facility.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor – Indiana Tax Court (2019)**
- Under IC 6-1.1-10-36.3, the predominant use test focuses on the amount of time that property was used for exempt purposes in relation to its total usage.
- However, the definitions of charity care and community benefits, as referenced in the other property exceptions, are based on the property owner's charitable expenditures as measured in unreimbursed cost.



Indiana Board of Tax Review and Indiana Tax Court Cases

- **St. Mary's Building Corporation v. Warrick County Assessor – Indiana Tax Court (2019)**
- The Building Corporation did not provide a time-usage study for the portions of Epworth Crossing for which it sought an exemption. Consequently, a failure to provide a comparison of the relative amounts of time that a property was used for exempt and non-exempt purposes is fatal to an exemption claim.
- The Tax Court held that the Building Corporation failed to show that Epworth Crossing had a charitable use sufficient for an exemption independent of its status as hospital-owned property and that it did not meet the standard for a religious exemption.



Frequently Asked Questions

- *I have a Church that is going to be renting out their kitchen 2 days a week to a gentleman who is starting his own coffee shop. Would this area still receive the 100% exemption, or would it be based on a percentage based on the days rented out?*
- The church would definitely need to keep time records as described in the Hamilton County v. Duke case (Tax Court 2017). So, if they use the rest of the property and the kitchen more than 50% of the time for a religious purpose, then the property would still receive a 100% exemption because it is a church. If it were a different kind of property that is not claiming a religious exemption, but a charitable exemption, then they would need to show through time records that over 50% of the use is charitable, and then they would receive that percentage. For example, 70% charitable use exemption and 30% taxable AV.



Frequently Asked Questions

- *A church sold their property to a couple for personal use in June 2024. When should the religious exemption come off?*
- The exemption would come off for the 2025 pay 2026. IC 6-1.1-11-1.5(b) provides that for a property awarded an exemption, an act occurring after an assessment date, including a change in the use or ownership of the tangible property, does not affect the eligibility of the tangible property for an exemption for that assessment date.
- IC 6-1.1-11-4(e) states that “if, after an assessment date, an exempt property is transferred or its use is changed resulting in its ineligibility for an exemption under IC 6-1.1-10, the county assessor shall terminate the exemption for the next assessment date.”



Frequently Asked Questions

- *We have one of our county public schools reach out over a tax bill they received. It is for a parcel with a dwelling that sits next to the school. Am I correct that just because a public school owns the property, it does not make it automatically tax exempt? We have another county public school that owns farmland behind their superintendent's office, that is cash rented, and they are taxed for that land.*
- Unless the county is aware of a lease agreement that would make the property subject to taxation under IC 6-1.1-10-37, IC 6-1.1-10-4 would indicate that the property owned by a political subdivision (which as defined in IC 6-1.1-1-12 would include a school corporation) is, by default, exempt from property taxation.



Frequently Asked Questions

- *When an exempt property sells, is it up to the assessor's office to present the transfer to the PTABOA for the exemption removal? If the assessor misses the transfer, and fails to remove the exemption, does the auditor's office have the authority to remove the exemption?*
- First, it would be incumbent on the taxpayer to file a Form 136 CO/U (<https://forms.in.gov/Download.aspx?id=7564>). Assuming the new owner/taxpayer is not exempt eligible, I do not believe the assessor would need to notify the PTABOA for their approval to remove the exemption – you could just administratively remove it.
- If the assessor misses the transfer, then the auditor could remove it.
- You may want to check with your county attorney for specific legal advice/guidance.



Questions?



Not-for-Profits

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