

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

TO: Assessing Officials
FROM: Barry Wood, Assessment Division Director *JBW*
RE: Nursing Home Exemption Decision
DATE: February 24, 2012

Over the past several years, there has been a debate about whether nursing home facilities should be exempt from property taxes. On February 16, 2012, the Indiana Tax Court issued a decision involving the Tipton County Healthcare Foundation, Inc. f/k/a Tipton County Memorial Hospital Foundation versus the Tipton County Assessor (see <http://www.in.gov/judiciary/opinions/pdf/02161201mbw.pdf>). While the Tax Court ruling can be taken into consideration when reviewing a property tax exemption for a nursing home, each situation stands on its own merits (i.e., the applicant's situation may not be analogous to the recent ruling).

Below are some key general holdings of the case that counties should take into consideration when reviewing property tax exemptions filed by nursing homes:

1. The sole issue in this case was whether the Foundation failed to raise a prima facie case that its assisted living facility is entitled to a charitable purposes property tax exemption under Indiana Code § 6-1.1-10-16.
2. Indiana Code § 6-1.1-10-16 provides that “[a]ll 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.” While unity of ownership, occupancy, and use is not required under Indiana Code § 6-1.1-10-16, when it is lacking, each entity must demonstrate that it has its own exempt purpose and explain the nexus between that purpose and its ownership, occupancy, and use of the property.
3. It has long been held that exemption statutes are to be strictly construed against the taxpayer and, therefore, the burden is on the taxpayer to establish its right to an exemption.
4. To qualify for a charitable purposes exemption, a taxpayer must show “relief of human want . . . manifested by obviously charitable acts different from the everyday purposes and activities of man in general.” Indeed, “by meeting the needs of the aging, namely, relief of loneliness and boredom, decent housing that has safety and convenience and is adapted to their age, security, well-being, emotional stability, and attention to problems of health, a charitable purpose is accomplished.”

5. Nevertheless, neither the language of one case nor an apparent trend from several cases has established a per se rule that an assisted living facility that cares for the elderly is automatically considered exempt by the mere character of its deeds. Rather, every exemption case stands on its own facts and, therefore, they are not susceptible to bright-line tests or other abbreviated inquiries.
6. Indiana Code § 6-1.1-10-16 requires the showing of a charitable purpose, not simply the accomplishment of good and noble deeds, to ensure that: 1) the benefit conferred by the exemption relieves government of a cost it would otherwise bear, and 2) the exemption's largess does not primarily fulfill a commercial profit motive.
7. Although an entity's for-profit status alone is not sufficient to show that a lease arrangement will result in private benefit, its status is germane.

If you have any questions, please contact your Assessment Division Field Representative or Assessment Division Director, Barry Wood at Bwood@dlgf.in.gov or 317.232.3762.