



Department of Local Government Finance

Medical Facilities

Barry Wood
Assessment Division Director



Medical Facilities

- I. Assessment Practices
- II. Exemption Issues
- III. IBTR & Indiana Tax Court Cases
- IV. Questions



Assessment Practices



Medical Facilities

https://www.in.gov/dlgef/files/2022_Appendix_G_Final.pdf

GCR – General Commercial Residential; GCM – General Commercial Mercantile

- Medical clinics as follows:
 - Full line – See hospitals.
 - Limited service as follows:
 - One story wood joist framing – GCR medical office.
 - Multi-story or fire resistant, reinforced concrete, or fireproof steel framing – GCM medical office.
- Special purpose as follows:
 - One story wood joist framing – GCR medical office.
 - Multi-story or fire resistant, reinforced concrete, or fireproof steel framing – GCM medical office.



Medical Facilities

- Multipurpose as follows:
 - One story wood joist framing – GCR general office.
 - Multi-story or fire resistant, reinforced concrete, or fireproof steel framing – GCM general office.
- Hospitals as follows:
 - Convalescent as follows:
 - One story wood joist framing – GCR general office.
 - Multi-story or fire resistant, reinforced concrete, or fireproof steel framing – GCM general office.



Medical Facilities

- Full line as follows:
 - One story wood joist framing – GCR general office.
 - Multi-story or fire resistant, reinforced concrete, or fireproof steel framing – GCM general office.



Medical Facilities

Schedule A.1 GCM Base Prices

FD	Hotel - Motel	12'	1	62.19	67.68	75.63	83.30	89.94	96.74	104.40	114.69	121.54	129.96	7.75	10.16	11.58	10.39
	Service		2	63.44	70.24	79.68	88.92	97.14	105.60	115.06	127.53	136.14	146.56	9.63	10.81	12.33	11.06
	Bank	14'	1	79.24	83.09	87.53	91.89	97.12	101.71	106.85	117.78	125.16	134.18	8.33	10.58	10.35	9.28
			2	81.18	86.88	93.17	99.30	104.80	111.65	119.76	133.33	142.84	154.29	10.61	11.04	11.31	10.13
	General Office	12'	1	69.98	74.47	78.91	83.38	87.86	94.63	102.22	112.42	119.22	127.59	7.73	8.26	12.37	11.17
			2	71.43	77.36	83.25	89.14	95.06	103.49	112.88	125.26	133.82	144.19	9.61	7.40	13.16	11.82
	Medical Office	12'	1	77.39	81.88	86.32	90.79	95.27	102.22	110.04	120.58	127.55	136.12	7.81	9.95	12.05	10.84
			2	78.84	84.77	90.66	96.55	102.46	111.08	120.70	133.42	142.15	152.72	9.69	9.09	12.79	11.50
FD	Hotel - Motel	12'	1	60.05	64.03	70.05	76.49	80.62	85.81	91.93	100.48	106.28	113.26	8.67	8.18	9.35	8.66
	Service		2	61.42	66.83	74.49	82.64	88.50	95.51	103.60	114.54	122.26	131.44	10.73	8.83	10.07	9.34
	General Office	12'	1	59.70	62.21	68.13	74.49	78.56	83.70	89.76	98.21	103.96	110.89	8.65	8.11	9.24	8.74
			2	60.37	65.01	72.57	80.63	86.44	93.40	101.43	112.27	119.95	129.07	10.71	8.79	10.02	9.47
	Medical Office	11'	1	63.48	67.34	73.34	79.72	83.70	88.74	94.71	103.12	108.74	115.53	8.42	7.69	8.76	8.31
			2	64.72	69.88	77.35	85.27	90.82	97.50	105.26	115.82	123.19	131.96	10.28	8.25	9.40	8.93
	Nursing Home	10'	1	56.53	59.96	65.28	71.03	74.50	79.01	84.39	92.00	97.10	103.27	7.96	8.03	9.16	8.53
			2	57.63	62.23	68.86	75.99	80.86	86.84	93.81	103.35	110.00	117.95	9.62	8.58	9.78	9.10
	Motel Units	10'	1	55.83	59.43	61.60	64.61	67.70	70.69	75.89	83.20	88.18	94.20	7.96	7.74	8.82	8.22
			2	58.31	61.99	65.43	69.70	72.66	78.52	85.31	94.55	101.08	108.89	9.61	8.27	9.44	8.79
	Apartment	10'	1	42.89	46.00	50.53	55.63	58.70	62.83	67.73	74.61	79.34	85.07	7.79	9.32	10.64	8.23
			2	43.99	48.26	54.11	60.59	65.06	70.66	77.15	85.96	92.24	99.75	9.46	9.95	11.35	8.86



Medical Facilities

SCHEDULE A.3

GCR Base Prices

First	FO	Motel Service	12'	1	52.86	57.56	64.25	70.52	75.88	81.22	87.39	95.73	101.45	107.78	5.80
				2	54.99	62.08	71.26	79.85	87.59	95.43	104.27	116.03	124.45	134.00	6.74
		Dinning/Lounge	12'	1	57.34	62.14	69.09	75.57	81.06	86.53	92.86	101.44	107.28	113.76	5.85
				2	59.46	66.66	76.10	84.90	92.78	100.74	109.74	121.74	130.28	139.97	6.80
	FD	Bank	10'	1	64.02	67.87	71.59	75.12	78.65	84.06	90.32	98.78	104.57	110.98	5.82
				2	66.25	72.52	78.41	83.78	89.23	96.87	105.52	117.06	125.27	134.58	6.47
		General Office	10'	1	53.94	58.50	65.07	71.20	76.39	81.55	87.55	95.67	101.19	107.31	5.57
				2	55.87	62.62	71.44	79.64	86.97	94.37	102.74	113.94	121.90	130.91	6.22
		Medical Office	10'	1	67.52	71.19	74.72	78.07	81.42	86.70	92.85	101.20	106.85	113.10	5.62
				2	69.76	75.84	81.55	86.74	92.00	99.52	108.04	119.48	127.55	136.70	6.27



Medical Facilities

GC Base Price Components and Adjustments

ID	Floor Level	Fin Type	Use Type	CH	Interior Finish			Ptns	Ltg	Htg	Htg Only	Add for A.C.	Adjust Lighting	Spk **	
					Walls Per LF	Floors Per SF	Ceill Per SF			Vent A.C.					
FD			Hotel/Motel Service	10'	48.99	5.40	4.92	10.58	12.39	16.20	8.90	---	1.29	2.67	2
			Bank	12'	58.79	3.44	4.92	11.03	12.39	18.43	10.18	---	1.04	2.14	3
			General Office	10'	48.99	3.23	4.92	9.57	15.23	16.20	8.90	---	2.70	5.84	3
			Medical Office	10'	48.99	3.23	4.92	14.36	15.23	17.69	9.69	---	2.16	4.66	3
			Country Club	10'	40.43	7.04	4.90	9.57	12.39	24.31	13.36	---	1.51	3.12	3
			Funeral Home	10'	40.43	3.21	4.92	9.57	12.39	23.45	12.90	---	2.32	4.80	3
			Nursing Home	8'	32.34	3.56	4.92	10.84	12.39	16.35	8.99	---	2.38	4.91	3
			Hotel/Motel Unit	8'	39.19	3.56	4.97	11.97	6.35	4.75	4.96	---	1.32	2.74	2
			Apartment Units	8'	32.34	3.70	4.90	11.72	6.35	---	4.96	2.63	1.82	3.78	2
FD			Hotel/Motel Service	10'	48.99	5.40	4.92	10.58	12.39	16.20	7.52	---	1.29	2.67	2
			General Office	10'	48.99	3.23	4.92	9.57	15.23	16.20	7.52	---	2.70	5.84	3
			Medical Office	9'	38.79	3.23	4.92	13.28	15.23	17.69	9.69	---	2.16	4.66	3
			Nursing Home	8'	39.19	3.56	4.92	10.84	12.39	16.35	8.99	---	2.38	4.91	3
			Hotel/Motel Unit	8'	39.19	3.56	4.97	11.97	6.35	4.75	4.96	---	1.32	2.74	2
			Apartment Units	8'	39.19	3.70	4.90	11.72	6.35	---	4.96	2.63	1.82	3.78	2



Medical Facilities

GCR	Bsmt	UF	Utility/Storage	9'	---	---	---	0.79	3.42	---	1.60	---	0.13	0.19	6
		FO	Dinning/Lounge	9'	29.76	5.25	3.37	3.06	12.39	24.31	13.36	---	1.50	2.19	4
			Motel Service	9'	29.76	3.23	4.70	4.59	15.23	16.20	8.90	---	1.00	1.46	2
		FD	General Office	9'	29.76	3.23	3.37	6.63	15.23	16.20	8.90	---	1.00	1.46	3
			Apartment Units	9'	29.76	2.99	4.90	8.82	6.35	---	4.96	2.63	0.50	0.73	2
	First	FO	Motel Service	12'	39.68	3.23	4.92	5.51	15.23	16.20	8.90	---	1.00	1.46	2
				Dinning/Lounge	12'	39.68	5.25	4.92	3.67	12.39	24.31	13.36	---	1.50	2.19
		FD	Bank	10'	33.07	3.23	4.92	6.20	12.39	18.43	10.18	---	1.14	1.66	3
			General Office	10'	33.07	3.53	4.92	6.72	15.23	16.20	8.90	---	1.00	1.46	3
			Medical Office	10'	33.07	3.23	4.92	9.30	16.75	17.69	9.69	---	1.09	1.59	3
			Motel Units	9'	29.76	2.99	4.90	8.16	12.39	4.75	4.96	---	0.50	0.73	2
			Funeral Home	12'	39.68	2.99	4.92	7.34	12.39	23.45	12.90	---	1.45	2.12	2
			Nursing Home	10'	33.07	3.25	4.92	8.27	12.39	16.35	8.99	---	1.01	1.47	2
			Apartment Units	9'	29.76	2.99	4.90	8.94	6.35	---	4.96	2.63	0.50	0.73	2
	Upper	FO	Motel Service	12'	39.68	2.99	4.70	5.51	15.23	16.20	8.90	---	1.00	1.46	2
				Dinning/Lounge	12'	39.68	5.25	4.92	3.67	12.39	24.31	13.36	---	1.50	2.19
		FD	Motel Units	9'	29.76	2.99	4.90	8.16	12.39	4.75	4.96	---	0.50	0.73	2
			Apartment Units	9'	29.76	2.99	4.90	8.82	6.35	---	4.96	2.63	0.50	0.73	2
			Nursing Home	10'	33.07	3.25	4.92	8.27	12.39	16.35	8.99	---	1.01	1.47	2



Exemption Issues



Exemption Issues (Emphasis Added)

- **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



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

(3) the tract:

- (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:



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

- (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.



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

(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. 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.



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

(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.

(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).



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

(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:

- 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
- 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.



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

(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:

(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.



Medical Facilities - Exemptions

- (IC 6-1.1-10-16 – Continued)
(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.



Medical Facilities - Exemptions

(IC 6-1.1-10-16 – Continued)

- (I) 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:
 - (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.



Medical Facilities - Exemptions

- (IC 6-1.1-10-16 – Continued)
 - (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.



Medical Facilities - Exemptions

- (IC 6-1.1-10-16 – Continued)
 - (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.
 - (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.



Medical Facilities - Exemptions

IC 6-1.1-10-18.5

Nonprofit corporation property used in operation of health facility or home for the aged

Sec. 18.5. (a) 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:

- (1) provides or supports the provision of charity care (as defined in IC 16-18-2-52.5), including 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, a practice, or other property described in this subsection to an exemption under this section.



Medical Facilities - Exemptions

(IC 6-1.1-10-18.5 – Continued)

(b) Tangible property is exempt from property taxation if it is:

- (1) owned by an Indiana nonprofit corporation; and
- (2) used by that corporation in the operation of a hospital licensed under IC 16-21, a health facility licensed under IC 16-28, or in the operation of a residential facility for the aged and licensed under IC 16-28, or in the operation of a Christian Science home or sanatorium.

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



Medical Facilities - Exemptions

IC 6-1.1-11-9

Assessment method; exemption for public properties

Sec. 9. (a) Except as provided in subsection (b) of this section, all property otherwise subject to assessment under this article shall be assessed in the usual manner, whether or not it is exempt from taxation.

(b) No assessment shall be made of property which is owned by the government of the United States, this state, an agency of this state, or a political subdivision of this state if the property is used, and in the case of real property occupied, by the owner.



Medical Facilities - Exemptions

- 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.



IBTR & Indiana Tax Court Decisions



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- https://www.in.gov/ibtr/files/SE_Indiana_Medical_Holdings_Inc_03-005-11-4-00005.pdf (Assessment Practice - 2011)
- The subject property was medical office building
- The Petitioner was assessed, and paid taxes on, a value of \$1,596,000 for 2011. The front of the PRC showed land of \$270,100 and improvements of \$1,325,900. The back of the PRC shows the Replacement Cost New (RCN) of the improvement labeled to be \$1,162,230.



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- The next column showed a physical depreciation rate of 12%. Subtracting the depreciation amount of 12% from the RCN amount should result in a value of \$1,022,760. However, the PRC indicated a value of \$1,268,200 which was 24% higher than what the value should be after subtracting depreciation. There was no indication on the PRC that reflects or explains the 24% adjustment increase.
- The Petitioner testified that his intention was to compare the 2011 assessed value of the subject property with the comparable properties.



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- The Respondent noted that the Petitioner compared the value on the back of the PRC. The Respondent explained that the value on the back of the PRC is the worksheet value and the actual assessed value is in the 03/01/2011 column on the front of the PRC.
- The Respondent further explained that the value on the back of the PRC is a result of using the cost approach. The cost approach is not always the most appropriate approach and there are times when a different approach, for example the sales approach or the income approach, might be used. The reason the value on the back of the PRC does not always match the front of the PRC is because the county uses a method referred to as the “correlation of values.”



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- Use of this method brings the cost value from the back of the PRC up to the market value-in-use when the value is established using the sales or income approach. The software will only allow the entry of a flat value.
- In calculating the income approach value, the Respondent used a data resource which is locally relevant, county specific rental data software for commercial and industrial property. The software used local rents, expenses, vacancy and capitalization rates.



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- The Respondent cited four medical office sales in the sales comparison approach. The first sale is the subject property. Two of the comparable sales are in the same vicinity as the subject property. The final sale is in another part of town. Adjustments for time, age, quality, and size were made.
- The subject property sold in 2007, four years prior to the assessment date, for \$2,100,000. The time adjusted value of the subject property is \$2,007,600. The adjusted per square foot value range is \$128.87 to \$196.15. The median adjusted per square foot value is \$135.77 and the mean adjusted value per square foot is \$149.14



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- The Respondent also compared the assessments of the four medical offices. The assessment per square foot range from \$102.45 to \$162.26. The subject property was at the low end at \$102.45 per square foot which indicates, the Respondent contends, that the subject property was under-assessed compared to similar properties. The median assessment per square foot is \$129.25 and the mean is \$130.80.
- On the Respondent's reconciliation of values, he noted that the cost approach showed a value of \$1,596,000, but contends the value under that approach should be \$1,608,800. The income approach showed a value of \$1,889,100 while the sales approach showed a value of \$2,007,600. The Respondent contended the income approach is the best approach to value the subject property and requested a value of \$1,889,100.



IBTR Decisions

- SE Indiana Medical Holdings, Inc. v. Bartholomew Co. Assessor
- The Petitioner simply argued that because the seven properties do not have a 24% adjustment, then the subject property's assessment is incorrect.
- The Petitioner failed to make a prima facie case for reducing the assessment. The Respondent failed to make a prima facie case for increasing the assessment. The IBTR ordered no change to the assessment.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- [https://www.in.gov/ibtr/files/G andE -Healthcare REIT 49-600-11-1-4-00453-16 etc.pdf](https://www.in.gov/ibtr/files/G%20andE%20Healthcare%20REIT%2049-600-11-1-4-00453-16%20etc.pdf)
- The properties under appeal are multi-tenant general office and medical office buildings located on the west side of Indianapolis.
- The properties are all owned by G & E Healthcare REIT.
- The Petitioner argued that the subject properties were over-assessed. In support of this argument, the Petitioner presented four appraisals prepared by a certified commercial appraiser.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The appraiser prepared the appraisals in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and estimated the values as of March 1, 2011. He completed the appraisals in 2018; therefore, he did not inspect the properties on or around the appraisals' effective date. For this reason, he made an extraordinary assumption, based on information provided by the current ownership that the condition of the properties on March 1, 2011, was average.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The appraiser acknowledged, based upon the value of improvements and renovations made from 2008 to 2012, the properties may have been in fair condition in 2008. However, the improvements were likely made to maintain the competitiveness of the properties, and not to make them “above average.” If there had been a significant change in the condition of the properties, there would have been a corresponding change in the amount of rent collected.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The properties transferred ownership to the Petitioner on July 11, 2008, in a leased fee transaction. Each was part of a portfolio sale, with various values allocated to each property. However, the appraiser concluded the amounts allocated were likely based on factors other than market value, such as investment purposes, and ultimately the allocated amounts were not a true representation of the properties' market value-in-use.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The appraiser developed the sales-comparison and income approaches to value, and reconciled the two in his final conclusion of value. He considered the cost approach, but he did not develop it because the age of the property would have made depreciation very subjective. Further, because EHOP is income-producing, market participants would generally not rely on the cost approach.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- In his sales-comparison approach, the appraiser selected comparable commercial office properties within a five-mile radius. Because Indianapolis was still in the midst of the recession that began in 2008, he had trouble locating sales that were not affected by foreclosure or real estate owned (REO) status. The appraiser concluded these types of sales reflected the economic times of March 2011. Therefore, he used two REO sales, even though the Marion County Assessor determined they were invalid for trending, while asserting that both had been on the market for well over 1,000 days.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The Indiana Tax Court has held and frequently cited again that an appraisal performed in conformance with generally recognized appraisal principles is often the preferred way to establish a prima facie case. Here, however, the Respondent argued the appraisals are flawed for various reasons. Specifically, the Respondent alleged the appraiser failed to consider the 2008 portfolio sales of the properties.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The appraiser failed to conspicuously state his extraordinary assumption regarding the condition of the properties, a USPAP violation according to the Respondent, because that assumption might have affected the assignment results. The appraiser was unaware of the scope of renovations made to the properties between 2008 and 2012. And finally, the appraiser incorrectly classified EHOP and EHBC as general office buildings rather than medical office buildings.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- Generally, one weakness of a retrospective appraisal is that the appraiser cannot turn back the clock and view the property exactly as it existed on the valuation date in question.
- The appraiser considered EHOP to be a general office building rather than a medical office because it lacks features typically found in a medical office, such as additional plumbing features and multiple chairs. And he considered EHBC to be general office because the bulk of the tenants used it for general office, as well as the lack of additional fixtures and chairs normally found in a medical office building.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The Respondent submitted three appraisals which expressly value the leased fee interest of the properties as of May 20, 2008.
- The Respondent's appraisals were several years removed from the relevant valuation dates.
- The Respondent also presented other evidence attempting to support its value, including evidence of the Petitioner's 2008 purchase of the properties as part of a portfolio sale, and the Petitioner's "book value" of the properties. For similar reasons, the Board finds that the evidence lacked probative value.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The sale at issue here was a portfolio sale, and the sale price of each property was an allocation based on the entire portfolio. The record lacks any indication about the basis for the allocations.
- Whatever the case, there is no evidence that the allocation was based on the market value-in-use of each property. For the sale to be probative, the Respondent needed to prove what factors were considered in arriving at the values, and that those factors represented the properties' market value-in-use.



IBTR Decisions

- G & E Healthcare REIT v. Marion Co. Assessor
- The Respondent's evidence appears to reflect the investment value, not the market value-in-use.
- Consequently, for 2011, the Board found that the Petitioner's appraisals, while not perfect, were the most probative evidence on the record as to the properties' values.



IBTR Decisions

- 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.



IBTR Decisions

- 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."



IBTR Decisions

- 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."



IBTR Decisions

- 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 Ind. Code § 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.”



IBTR Decisions

- 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.



IBTR Decisions

- 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.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- <https://www.in.gov/ibtr/files/Methodist45-003-00002.pdf>
- The Methodist Hospital in Lake County appealed to the Board that it should be partially tax-exempt.
- It housed a combination of hospital programs and private physicians.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- The Lake County PTABOA determined the land and improvements to be 100% taxable for 2000.
- The Petitioner contended the land and improvements should be 60% tax exempt for 2000. The grant of federal or state income tax exemption does not entitle a taxpayer to property tax exemption because income tax exemption does not depend so much on how property is used, but on how money is spent.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- The transfer of this obligation to non-exempt properties should never be seen as an inconsequential shift. Worthwhile activities or noble purpose alone is not enough for tax exemption.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- Petitioner provided testimony to say that these programs provided services that were related to the hospital. However, the Petitioner did not provide evidence or explain how this property and the programs conducted therein are reasonably necessary to further the exempt purpose of the hospital. The Petitioner failed to show that the ownership, use, and occupancy of the subject property is reasonably necessary to further the exempt purpose of the hospital.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- A "predominant use" test was adopted for determining whether property qualifies for exemption under Ind. Code § 6-1.1-10.
- Although charitable giving might serve as evidence to support a claimed charitable use of the facility, predominant use of the facility, not distribution of income for charitable purposes is the test.



IBTR Decisions

- The Methodist Hospitals, Inc. v. Lake Co. PTABOA
- Pursuant to Ind. Code § 6-1.1-10-36.3, property is predominantly used or occupied for one or more stated purposes if it is used or occupied for one 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. Property that is predominantly used or occupied for a non-exempt purpose is not exempt from property taxes.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- <https://www.in.gov/ibtr/files/Parkview02-072-95-2-8-00088.pdf>
- Parkview Memorial Hospital, Inc. (Parkview) appealed to the IBTR after the PTABOA denied Parkview's charitable exemption applications.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- The Petitioner contended that it qualifies for exemption under Ind. Code § 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- The parent organization, Parkview Health System, Inc., is a not-for-profit corporation, and was exempt from federal income tax under Section 501 (c)(3).



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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 Ind. Code § 6-1.1-10-36.3
 - (b) The “substantial relation” test set forth in Ind. Code § 6-1.1-10-16(h)
 - (c) The “charity care” or “community benefit” obligation as set forth in Ind. Code § 6-1.1-10-16(h).
- The latter two tests are directly applicable to the subject property.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- 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.



IBTR Decisions

- Parkview Memorial Hospital v. Allen Co. PTABOA
- The property did not qualify for exemption pursuant to Ind. Code § 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 Tax Court Decisions

- 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 Tax Court Decisions

- 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.



Indiana Tax Court Decisions

- St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)
- 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 Tax Court Decisions

- 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 Tax Court Decisions

- 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 Tax Court Decisions

- 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 Tax Court Decisions

- St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)
- Pursuant to statute, exemptions are subject to the predominant use test. I.C. § 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 not 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 Tax Court Decisions

- 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 Tax Court Decisions

- St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)
- Under I.C. § 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 Tax Court Decisions

- St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)
- Under I.C. 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 Tax Court Decisions

- 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.



Indiana Tax Court Decisions

- St. Mary's Building Corporation v. Warrick County Assessor –Indiana Tax Court (2019)
- 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.



Questions?



Medical Facilities

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