



## Charitable Exemptions for Hospitals Remains a Hot Topic

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According to a recent report in *Crain's Chicago Business*, the Illinois Department of Revenue has not issued a single decision concerning hospital property tax exemption applications since the Illinois Supreme Court issued its decision in *Provena Covenant Medical Center v. Dept. of Revenue* in March 2010. According to the report, more than 95 hospital properties are currently awaiting rulings on their exemption applications.

We alerted you to the *Provena* case in a **FR Alert** when the Illinois Supreme Court upheld the revocation of the Provena Medical Center's property tax exemption by the Champaign County Board of Review. Three Justices joined in an opinion stating that the evidence established that Provena Covenant Medical Center was not entitled to a charitable property tax exemption because almost all its revenue was derived from fees and only 0.7% of the care it provided was free of charge. Two Justices wrote separately to emphasize that in their opinion the Court should not set a numerical threshold for the amount of charity care that must be provided in order to receive an exemption. Instead, they voted to uphold the revocation of the exemption because the hospital failed to provide sufficient evidence establishing that it was entitled to an exemption.

The lack of a clear test for determining whether a hospital is entitled to a charitable property tax exemption has most likely contributed to the delays by the Department of Revenue. According to the recent *Crain's* article, the Department of Revenue has requested additional information from applicants, and the Illinois Hospital Association recently wrote to the Department asking that a moratorium on denying exemption applications be put in place until it had the opportunity to work with the Department to develop a uniform policy.

Because the *Provena* decision did not provide a clear test for when a charitable property tax exemption should be granted, the issue of exemptions for hospitals is far from resolved. Hospitals continue to argue that the charitable benefits they provide to their communities go beyond free services. A Department of Revenue spokeswoman, however, has indicated that the Department does not agree with the position that hospitals are charities just because they provide medical care. We will continue to update you as this evolving area of the law develops.

### More Information

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