



Illinois Appellate Court Upholds Denial of Religious Property Tax Exemption

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In *Armenian Church of Lake Bluff v. Department of Revenue*, the First District Appellate Court upheld the denial of a property tax exemption for a 5-acre property on the shore of Lake Michigan improved with a single family residence that the owners claimed was the parsonage and cathedral of a church they created. The facts of the case are an extreme example of the lengths to which taxpayers will go in order to obtain a property tax exemption.

After purchasing the property in 2004 for \$3 million and building additions to the home, including an indoor swimming pool and racquetball court, the owner of the property visited the website of a humanist church and obtained an instant online ordination as a Reverend for \$75. The next year, the property was transferred to a newly formed corporation called "Armenian Church of Lake Bluff." A property tax exemption application was then filed in 2007. The application claimed the property was housing for a religious officer as well as the administrative offices and cathedral of the church.

The Property Tax Code exempts from taxation property that is owned and used by churches, religious institutions, or religious denominations as well as property that is used as housing for ministers, their spouses, children, and domestic workers. These properties must be used exclusively for religious purposes. For parsonages, this means that the persons who perform religious related activities must reside at the parsonage as a condition of their employment.

After the Lake County Board of Review recommended denial of the property tax exemption application, the taxpayer submitted additional information to the Illinois Department of Revenue, which granted the exemption. The Village of Lake Bluff and Lake Bluff Elementary School District No. 65 intervened in the proceedings and objected to the granting of the exemption. During the proceedings, additional evidence indicated that the indoor racquetball court had been converted into a chapel and that an art studio was converted into a study for the pastor. The testimony of the property owner revealed, however, that he was not required to live on the property as part of his position with the Church. Testimony also raised questions about the authenticity of the claims that the property was used as a church.

The Department reversed positions and denied the exemption, and the taxpayer appealed. The Appellate Court found the Department's decision to deny the exemption was not against the manifest weight of the evidence. The record indicated to the Court that the property was used primarily as a private residence. The property could also not be considered a parsonage since the property owner was not required to live there as a condition of his position with the Church. Additional claims of religious discrimination and due process violations were also rejected.



The decision reinforces the value of intervention in exemption proceedings by school districts and other taxing agencies. In this case, intervention raised legitimate questions. This ultimately protected the tax base and the taxpayers.

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