

PT 05-43

Tax Type: Property Tax

Issue: Charitable Ownership/Use

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE
ADMINISTRATIVE HEARINGS DIVISION
SPRINGFIELD, ILLINOIS**

**IN RE: 2000 PROPERTY TAX EXEMPTION
MERIDIAN VILLAGE ASSOCIATION**

Applicant

**A.H. Docket # 01-PT-0045
Docket # 00-60-236
PI # 14-1-15-28-00-000-005.001**

RECOMMENDATION FOR DISPOSITION

Appearances: Mr. George Logan, Special Assistant Attorney General, for the Illinois Department of Revenue; Mr. John J. Durso, Mr. Edward Clancy, Michael Best & Friedrich, L.L.C. for Meridian Village Association; Ms. Ellen M. Edmonds, Humes Law Offices for Edwardsville Community School District #7; Mr. Gary E. Peel,¹ Peel, Beaty & Motil, for Village of Glen Carbon.

Synopsis:

This matter comes on for hearing to determine whether Madison County Parcel Index No. 14-1-15-28-00-000-005.001 qualified for a property tax exemption during the 2000 assessment year. Meridian Village Association (hereinafter referred to as the “Applicant,” “Meridian,” or “Meridian Village”) filed its exemption application on the PTAX-300 form under 35 ILCS 200/15-65 (charitable ownership and use) and 35 ILCS 200/15-40 (religious use). The Illinois Department of Revenue (hereinafter referred to as the “Department”) granted the requested exemption. Edwardsville Community School District #7 and the Village of Glen Carbon (hereinafter collectively referred to as the “Intervenors”) protested the action and requested a hearing.

¹ Mr. Peel appeared at the hearing. He has since left the firm.

The issues in this matter include, first, whether Applicant was the owner of the subject parcel during the 2000 assessment year; secondly, whether Applicant is an exempt organization; and lastly, whether the parcel was used by Applicant for exempt purposes during the 2000 assessment year. Applicant argues that it qualifies as both a religious and charitable organization and that it uses the property for religious and charitable purposes. After a thorough review of the facts and law presented, it is my recommendation that the requested exemption be denied. In support thereof, I make the following findings and conclusions in accordance with the requirements of Section 100/10-50 of the Administrative Procedure Act (5 ILCS 100/10-50).

FINDINGS OF FACT:

1. I take Administrative Notice of the fact that the Department has three forms it uses for property tax exemption applications. Form PTAX-300-R is used for religious applications; PTAX-300-FS is used for federal and state agency applications; and PTAX-300 is used for all other exemption applications. (Admin. Notice.)

Joint Stipulations²

2. Meridian requested its property tax exemption under two separate sections of the Property Tax Code, (35 ILCS 200/1-1 *et seq.*), §15-40 (religious use) and §15-65 (charitable use). Taking into account the Application and documents submitted, the Department granted Meridian's exemption. The Department's tax exemption certificate, however, does not state the basis for the grant of exemption. (Joint Stip. Nos. 1, 3)

3. Many applications are submitted with no indication of which exemption statute is being claimed. It is not uncommon for the Exemption Division of the Department to grant a

² The Joint Stipulations are between the Department and Applicant only. The findings of fact are based upon the stipulations and are not verbatim recitations.

property tax exemption under a statute that is not claimed on the application. Some applications with no indication of which exemption statute is being claimed are still granted exemptions. (Joint Stip. No. 2)

4. An applicant wishing to claim an exemption for any of the permitted bases shall file an exemption application with the county board of review. 35 ILCS 200/15-5. An application shall be obtained from the board of review. 86 Admin. Code § 110.115(a) Where there is a single deed, an applicant may submit only one application. 86 Admin. Code §110.115(a). The PTAX-300 form is the only form that provides a section on multiple grounds for the applicant to identify one or more bases for the exemption application. PTAX-300, question 11. (Joint Stip. No. 4)

5. The reference to “parsonage/convent questionnaire” in the religious property tax exemption statute incorporates requirements for religious use. 35 ILCS 200/15-40. The charitable use exemption also incorporates religious activities. 35 ILCS 200/15-65(b). (Joint Stip. No. 5)

6. The county board of review is required to review applications and reject those not on the correct form. The Madison County Board of Review accepted Meridian’s application, processed it, and did not reject it for being on an improper form. After reviewing a property tax exemption application, the board of review/appeals is required to “state all of the facts considered by the Board of Review/Appeals in recommending approval or denial of the exemption application.”³ In recommending to deny Meridian’s application, the Madison County Board of Review stated solely, “Property not an exempt use.” (Joint Stip. No. 6)

7. Department personnel and the boards of review instruct applicants to use the PTAX-300, when filing for property tax exemption on the bases of both charitable use and

³ Exemption Application Part VI, No. 19.

religious use. It remains to this day the common custom and practice of the Department to accept PTAX-300 forms with multiple claims for exemptions. (Joint Stip. No. 7)

8. County boards of review and the Department regularly accept property tax exemption applications that apply for exemption on the basis of multiple Code sections, including charitable use and religious use together, as was done in this case. (Joint Stip. No. 8)

9. A Department decision (both for and against) on an application for property tax application may be appealed to hearing. The Department views an administrative hearing in a property tax exemption case as a *de novo* hearing, as if no previous action had taken place. That is, at hearing, no deference is given to the Department's decision. An applicant can present evidence for property tax exemption on any Code section that allows such an exemption. The tribunal may either grant or deny an exemption. The tribunal does not limit the bases for tax exemption to those listed in the application. (Joint Stip. No. 9)

Facts

10. The Department established the jurisdiction over this matter by admitting into evidence its Group Ex. No. 1 including the Notice of Non-homestead Property Tax Exemption Certificate issued to Applicant for Madison County Parcel Index No. 14-1-15-28-00-000-005.001. The Notice stated the property qualified for a property tax exemption for the 2000 assessment year. (Tr. p. 10)

11. The Village of Glen Carbon and Edwardsville Community Unit School District #7 protested the Department's decision and timely requested a hearing on the matter. (Dept. Ex. No. 1)

12. The assessment of the property in 2000 was \$2,415,990. The 2000 tax rate for Madison County tax code 105 is \$6.6433; therefore, the amount of tax due for the property in that year was \$160,501.46. (Dept. Ex. No. 1; Intervenors' Ex. No. 9)

13. I take administrative notice of the fact that Meridian took an interlocutory appeal of the jurisdiction of the Department over this matter. Meridian asserted that the intervention was not properly done. The Cook County Circuit Court found the jurisdiction proper. (Admin. Notice; 2002 Tr. pp. 7-24)⁴

14. Located on the subject property is a senior retirement housing complex comprised of eleven buildings. Buildings numbered 1 through 10 are all one story. Number 1 is 5,409 square feet; number 2 is 5,267 square feet; number 3 is 5,119 square feet; number 4 is 5,267 square feet; number 5 is 2,712 square feet; number 6 is 5,267 square feet; number 7 is 2,564 square feet; number 8 is 5,409 square feet; number 9 is 5,267 square feet; and number 10 is 2,564 square feet. Building number 11 is three stories and has 85,426 square feet. There are 34 patio homes and 64 apartments available for rent, along with 2 display apartments, various activity and community rooms, outdoor facilities and parking areas located on the property. (Joint Ex. No. 1 pp. M 00007, 00022-28; Department's Response Brief p. 1; Tr. pp. 621-22 (Testimony of Greta Sullivan, Recreation Coordinator and Administrator at Meridian))

15. Lutheran Child and Family Services acquired the land in 1997 with excess funds and interest from the Lutheran World Relief Agency. The money was designated for senior housing. The money was donated to the Lutheran World Relief Agency for the flood of 1993. Housing and Urban Development (hereinafter "HUD") funds were used for the construction of the senior retirement housing complex on the parcel at issue. (Tr. pp. 388-92, 400-401, 457-8,

⁴ This hearing commenced in 2002 and resumed in 2003 after the jurisdiction was found to be proper by the Cook County Circuit Court. This is the only reference to the transcript of the 2002 hearing. All further transcript pages are for the hearing in 2003.

529-30 (Testimony of Mr. William Alexander, Executive Vice-President of the Bank of Edwardsville and Chairman of the Board of Directors of Meridian))

16. Meridian was established because HUD required that the construction loan must be obtained by a single asset entity. Lutheran Child and Family Services underwrote additional expenses. (Tr. pp. 392 (Testimony of Mr. William Alexander))

17. Meridian acquired the subject property from Lutheran Child and Family Services by a warranty deed dated September 2, 1998. There was no transfer of money when the land was conveyed to Meridian. There is no document evidencing an interest rate or a term of repayment of funds transferred from Lutheran Child and Family Services to Meridian. There is no note or legal obligation between Meridian and Lutheran Child and Family Services to repay funds. (Joint Ex. No. 1 pp. M 00014-16;⁵ Tr. pp. 400-405, 525-26, 532-34 (Testimony of Mr. William Alexander); Tr. pp. 913-17 (Testimony of Mr. Carl Rausch, President of Lutheran Senior Services))

18. The patio homes and apartments opened in 1999. In 2000, eight of the 34 patio homes were occupied. For the apartments, 20 people moved in when the units opened. Applicant continued to fill the housing areas during 2000. Meridian did not reach full capacity until the end of 2002. (Tr. pp. 621-22, 783 (Testimony of Greta Sullivan))

19. Meridian was incorporated in the State of Illinois on December 23, 1997 for:

The purposes for which the Corporation is organized are exclusively charitable, scientific, religious and educational. In furtherance of those purposes, the Corporation is empowered to do the following:

⁵ Joint Ex. No. 1 is Bates stamped page numbers M 0001 through M 01800. Pages M 00172, 00341, 00343, 00345, 00347, 00349, 00351, 00353, 00355, 00357, 00359, 00366, 00368, 003370, 00372, 00392, 00394, 00396, 00398, 00400, 00402, 00404, 00413, 00415, 00417, 00419, 00663-00687, 00695-00714, 00827, 00911, 01030, 01100, 01143, 01156, 01158, 01181, 01713, 01731, 01740-41, 01744, and 01746 are missing. None of the parties discussed, at any time, these missing pages.

(a) Receive gifts and grants, and to use such gifts and grants for its proper purposes, or to make distributions thereof for purposes and activities that qualify as exempt under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") (All references to the Code herein shall also include the corresponding provision of any future United States Internal Revenue Law and the regulations promulgated thereunder); and

(b) Provide facilities in order to accomplish such purposes.

Nothing herein shall be construed to give the Corporation any purpose that is not permitted under Code section 501(c)(3). Without limiting the generality of the foregoing, this Corporation shall have all the powers, privileges and rights necessary or convenient for carrying out the purposes for which this corporation is formed and the members hereby claim for this Corporation all the benefits, privileges, rights and powers created, given, extended or conferred by the provisions of all applicable laws of the State of Illinois pertaining to not-for-profit corporations and any additions or amendments thereto.

This Corporation is not a Condominium Association as established under the Condominium Property Act.

This Corporation is not a Cooperative Housing Corporation as defined in the Code.

This Corporation is not a Homeowner's Association which administers a common-interest community as defined in subsection (c) of Section 9-102 of the Code of Civil Procedure. (Joint Ex. No. 1 p. M 00074)

20. Applicant stipulates that Meridian Village is a corporation. (Tr. p. 180)

21. The purpose section of the by-laws of Meridian state:

The purposes for which the Corporation is organized are exclusively charitable and religious, including for such purposes: (1) Carrying out the Mission of Lutheran Child and Family Services of Illinois as a recognized human care organization of the Lutheran Church-Missouri Synod; (2) By solicitation and investment of funds and the encouragement of various activities of Lutheran Child and Family Services of Illinois; and (3) To accept gifts, devises, and bequests. It

shall be operated as a not-for-profit tax exempt organizations [sic] under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law (hereinafter the “Code”).

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, any individual, including the Directors or Officers of the Corporation; provided, that the Corporation shall be empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office except as authorized under the Code.

Notwithstanding any other provision contained herein, the Corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from tax under Section 501(c)(3) of the Code.

The Corporation shall adopt policies and procedures designed to address the needs of its residents for protection against the financial risks associated with the later years of life. Additionally, the Corporation shall waive or reduce, based on the individual’s ability to pay, any entrance fee, assignment of assets or fee for services.

Other purposes: All such things as are consistent with the purposes herein stated and not forbidden by the law of Illinois.

In performing the functions to achieve these purposes, the Corporation shall operate exclusively for charitable and religious purposes included, but not limited to:

- (a) conducting the business affairs of the Corporation in a manner consistent with the mission, objectives and philosophy of Lutheran Child and Family Services of Illinois;

- (b) supporting and encouraging the mission of Lutheran Child and Family Services of Illinois through the development of Housing Programs for older adults providing to it financial and fund raising assistance and in all other relevant ways; and
- (c) administering contributed funds or property in accordance with the wishes of the donor. (Joint Ex. No. 1 pp. M 00030-31, M 00120, 00132)

22. According to the by-laws of Meridian, Lutheran Child and Family Services of Illinois shall be the sole member of the corporation doing business as Lutheran Older Adult Ministries (working name). (Joint Ex. No. 1 p. M 00031)

23. After the year 2000, the sole member became Lutheran Senior Services rather than Lutheran Child and Family Services of Illinois. (Tr. pp. 517-18 (Testimony of William Alexander))

24. The Board of Directors of Meridian has to be approved by the Board of Directors of Lutheran Child and Family Services. Meridian may not adopt an annual budget; borrow money; pledge assets; enter into a contract of \$5,000 or over one year; lease, sell or transfer more than 5% of its assets; merge, consolidate or combine with another entity; file for bankruptcy; or commence litigation without approval of Lutheran Child and Family Services. (Joint Ex. No. 1 pp. M 00031-32; Tr. pp. 328-31 (Testimony of Ms. Dorothy Manscholt, full-time volunteer for Lutheran Church-Missouri Synod and member of the Board of Trustees of the Lutheran Child and Family Services))

25. In 2000, Meridian maintained a separate checking account that was controlled by Chicago Lutheran Child and Family Services.⁶ A transfer may be made from the Lutheran Child

⁶ Testimony is the basis of this finding. The record is not clear whether Chicago Lutheran Child and Family Services, Lutheran Child and Family Services (from testimony), and Lutheran Child and Family Services of Illinois (as referred to in the documents) are all same entity. However, following a review of the record and testimony, I

and Family Services account to the Meridian Village account to cover any shortfalls. Meridian and Lutheran Child and Family Services do not hold joint board meetings; each entity holds its own. If there were inter-fund transfers between the two, those events would not be discussed at the board meetings. (Tr. pp. 480-81, 508-09 (Testimony of William Alexander))

26. The “Lutheran Child & Family Services of Illinois Balance Sheet Meridian Fund-June 2000”, states:

	<u>CURRENT YEAR</u>
ASSETS	
CURRENT ASSETS	
CASH	
Bank of Edwardsville-General Ac.	265,599
Petty Cash	500
Bank of Edwardsville – Deposit	
Allegiant Bank – Replacement Res	7,909
	<hr/>
TOTAL CASH	274,008
Accounts Receivable	<hr/> 2,365
TOTAL ACCOUNTS RECEIVABLE	<hr/>2,365
 INVESTMENTS	
Bank of Edwardsville-Rental Dep	43,915
Bank of Edwardsville-Trust#567	68
Bank of Edwardsville-Offsite Cn	3,963
Bank of Edwardsville-Working Cn	25,136
Bank of Edwardsville-Equip/Furn	27,218
State St. Bank-Acquisition Fund	551,698
State St. Bank-Bond Fund	230,752
State St. Bank-SWIDA SR 98 Exp	750
Vanguard Group Investments	100,474
First S. Louis-Investment	<hr/> 98,462
TOTAL INVESTMENTS	<hr/>1,082,436
 PREPAID EXPENSES	
Prepaid Liability Insurance	69
Prepaid Mortgage Insurance Prem	41,568
Prepaid-Other	14,800
Security Deposits-Utilities	9,091
Security Deposit-Rent	<hr/> 1,200
TOTAL PREPAID EXPENSES	<hr/>66,729

conclude for purposes of this recommendation that they are the same entity.

DUE FROM (TO) OTHER FUNDS	
Due to/from LCFS Operating Fund	<u>(871,801)</u>
TOTAL DUE FROM (TO) OTHER FUNDS	<u>(871,801)</u>

TOTAL CURRENT ASSETS	<u>553,736</u>
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CURRENT YEAR

NONCURRENT ASSETS

FIXED ASSETS

Land	799,076
Land Improvements	1,335,414
Building	11,616,233
Furniture and Equipment	313,313
Computer Equipment	16,663
Financing Fees	616,643
Accum Depr-Bldg	(145,203)
Accum Depr-Furniture and Equi	(32,135)
Accum Depr-Computer equipment	(1,666)
Accum Depr-Financing Fees	<u>(7,708)</u>
TOTAL FIXED ASSETS	<u>14,510,629</u>
TOTAL NONCURRENT ASSETS	<u>14,510,629</u>

TOTAL ASSETS	<u>15,064,365</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE

Accounts Payable	18,673
Accrued Accounts Payable	
Construction Loan Payable	<u>260,123</u>

TOTAL ACCOUNTS PAYABLE	<u>278,795</u>
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ACCRUED EXPENSES

Accrued Real Estate Taxes	99,214
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Accrued Interest Expense	<u>99,214</u>
TOTAL ACCRUED EXPENSES	<u>99,214</u>

DEFERRED REVENUE

Security Deposits	<u>335,550</u>
TOTAL DEFERRED REVENUE	<u>335,550</u>
TOTAL CURRENT LIABILITIES	<u>713,559</u>
NONCURRENT LIABILITIES	
LOANS PAYABLE-LONG TERM	
SWIDA Revenue Bonds, Series 199	13,058,304
Glen Carbon Revenue Bonds, Seri	1,250,000
Peoples Banking	53,511
Sprint North Lease	<u>50,878</u>
TOTAL LOANS PAYABLE-LONG TERM	<u>14,412,693</u>
TOTAL NONCURRENT LIABILITIES	<u>14,412,693</u>
TOTAL LIABILITIES	<u>15,126,252</u>
NET ASSETS	
UNRESTRICTED	
CONSOLIDATED FUND	
General Operating Fund	202,222
CONSOLIDATED FUND	<u>202,222</u>
TOTAL NET ASSETS	<u>202,222</u>
NET SURPLUS/(DEFICIT)	<u>(264,109)</u>
ENDING TOATL FUND BALANCE	<u>(61,887)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>15,064,365</u>
(Joint Ex. No. 1 pp. M 00286-88)	

27. The "INCOME STATEMENT Meridian Operating Fund – For Month Ending June 2000" shows:

SUPPORT & REVENUE	<u>(YTD Actual)</u>
Private Service fees	2,403
OTHER OPERATING REVENUE	
Interest & dividends	822,030
Unrealized gains (losses)	(624)
Rental Income	394,391

Other Income	<u>15,649</u>
TOTAL OTHER OPERATING REVENUE	<u>1,231,446</u>
TOTAL SUPPORT & REVENUE	<u>1,233,849</u>

(Joint Ex. No. 1 p. M 00289).

28. The “Lutheran Child & Family Services of Illinois Income Statement Meridian Operating Fund – For Month Ending June 2000” listed expenses for salaries, employee benefits & payroll taxes, professional fees, supplies, telephone, occupancy, printing & publications, travel & transportation, conferences & meetings, membership dues,⁷ awards & grants, equipment rental, repairs & maintenance, insurance, interest, depreciation & amortization, and expenses before allocations for YTD actual total expenses of \$1,497,959. (Joint Ex. No. 1 pp. M 00289-91)

29. Meridian does not employ ordained ministers. One ordained Lutheran minister is a resident of the village and receives a minor discount on his monthly fees in exchange for his services in leading activities such as Bible studies and prayers in the community. (Intervenor’s Ex. No. 6)

30. Employees of Meridian are not expected to impart Christian doctrine to the residents. They are, however, expected to treat the residents with kindness, gentleness and to provide a nurturing atmosphere. Residents of Meridian do not have to be Christians or of the Lutheran faith. (Tr. p. 280 (Testimony of Chaplin Joel Hempel, Called Minister to Lutheran Senior Services); Tr. pp. 411, 445-46 (Testimony of William Alexander))

31. There is no area or room at Meridian Village that is used exclusively for religious purposes. (Tr. p. 769 (Testimony of Greta Sullivan))

32. Affiliation with the Evangelical Lutheran Church in America and recognition by the Lutheran Church-Missouri Synod entitles an entity to use *A Social Ministry Partnership*

⁷ The amount shown for the membership dues expense in the YTD column is \$620. This category and amount were not explained.

document, created by representatives of Lutheran social ministry organizations, synods of the Evangelical Lutheran Church in America, districts of the Lutheran Church-Missouri Synod, and the church bodies. Each church body reserves the right for itself to grant and review the affiliation or recognition. Social ministry organization partnerships with the church are related to Lutheran Services in America. Lutheran Services in America is the membership alliance of Lutheran social ministry organizations and the church bodies. (Applicant's Ex. No. 3; Tr. p. 475 (Testimony of William Alexander))

33. From 1999 through 2002, there were from 88 to 102 member congregations in Lutheran Senior Services. (Joint Ex. No. 1 pp. M 01704, 1723, 1797-1800; Tr. p. 863 (Testimony of Carl Rausch))

34. Lutheran Church-Missouri Synod is an organization of six million members headquartered in St. Louis, Missouri. Lutheran Child and Family Services of Illinois is a recognized human care agency of the Lutheran Church-Missouri Synod. (Applicant's Ex. No. 3; Tr. p. 475 (Testimony of William Alexander))

35. Lutheran Senior Services and Lutheran Child and Family Services are "Recognized Service Organizations" (hereinafter "RSO") of the Lutheran Church. As such, each entity had to go through an application process, an on-site visit and be a not-for-profit organization. The recognition process is renewed every three years. The RSO is a church designation only and has no legal effect. (Applicant's Ex. No. 3; Tr. pp. 848-52, 860, 873-79, 898-99, 931, 987-88 (Testimony of Carl Rausch))

36. In 2000, as a not-for-profit subsidiary of Lutheran Child and Family Services, Meridian was only an affiliate RSO. Meridian is not an RSO in its own right and did not need to

go through the application process. As an affiliate, it is simply listed as a subsidiary on the application for the RSO.⁸ (Tr. p. 931, 987 (Testimony of Carl Rausch))

37. The Affiliation and Recognition Procedure documents state in the “commitment to excellence in service, management, and stewardship of all resources” category that it is:

Demonstrated by:

Declaring the organization is fully responsible for its own management and fiscal affairs; and that church affiliation/recognition shall not cause any Lutheran congregation, synod/district, or church body to incur or be subject to the organization’s liabilities of debts (including any loan or bond prospectus). (Applicant’s Ex. No. 3)

38. The community care/charity policy of Meridian states “Meridian Village will waive or reduce any entrance fee, assignment of assets or fee for services based on an individual’s ability to pay. A prospective resident is ‘financially needy’ if he or she cannot afford the fees customarily charged as a condition of residency. An individual who is a resident of Meridian is ‘financially needy’ if he or she is unable to afford any entrance fee, assignment of assets or fee for services as they come due.” When making the determination of financial need for prospective residents and existing residents, Meridian Village will take into account, but not be limited by, the Federal Poverty Income Guidelines. Anyone who believes they are financially needy must apply for assistance. “The resident or prospective resident must be appropriate for Meridian Village.”⁹ (Joint Ex. No. 1 pp. M 00084, 119, 134)

39. Meridian Village is not licensed by the State of Illinois to provide personal or nursing care services directly to its residents. (Joint Ex. No. 1 pp. M 00084, 119, 134)

40. As section three of Meridian’s by-laws states that Meridian “shall adopt policies

⁸ The witness did not know if there was anything in writing to show the affiliation. As an existing RSO, Lutheran Child and Family Services apparently did not go through the review process during the year at issue.

⁹ The term “appropriate” as used in this context was not explained, except to state that Meridian does not provide personal or nursing care services directly to its residents.

and procedures designed to address the needs of its residents for protection against the financial risks associated with the later years of life . . . and shall waive or reduce, based upon the individual's ability to pay, any entrance fee, assignment of assets or fee for services," Meridian intended to set up a charitable care policy. The policy is not in writing. (Intervenor's Ex. No. 6; Tr. p. 398 (Testimony of William Alexander))

41. Meridian initially offered approximately \$30,000 worth of charitable care expenditures. The Board of Directors, upon advice from counsel, specifically taking into account Meridian's financial condition and its capacity to provide charitable care while remaining a viable entity, was not to accept any other charitable residents beyond the initial \$30,000 allocation in 2000. The \$30,000 allowed one resident to live in the residence rent-free and two others to have a reduced rent. (Intervenor's Ex. No. 6; Joint Ex. No. 1 pp. M 00030, 313-14; Tr. p. 398 (Testimony of William Alexander))

42. The resident that was allowed to live in an apartment rent-free paid an apartment deposit of \$1,345. One of the residents that had reduced rent paid a deposit of \$1,400. (Joint Ex. No. 1 pp. M 00197, 210, 225)

43. Meridian has sole discretion, on a case-by-case basis, to determine if someone is financially needy. Depending upon how much is available in Applicant's benevolent fund, they may choose to accept, as a resident, a person who is financially secure over one who is needy. (Joint Ex. No. 1 p. M 00085; Tr. pp. 1014-17 (Testimony of Carl Rausch))

44. In 2000, Applicant held no events or fundraisers to raise money for Meridian Village. (Tr. p. 322 (Testimony of Dorothy Mansholt); Tr. pp. 801-03 (Testimony of Greta Sullivan))

45. Applicants who sought charity care but were not admitted to Meridian Village

were informed Meridian's allotment of charity care units or services was already at full capacity. These applicants were told that their applications would be maintained on a waiting list and that they would be informed when more units became available. The applications were then treated as pending and maintained in Meridian's files in the order they were received. (Intervenor's Ex. No. 6 pp. 2-3; Tr. pp. 399, 403-6, 556 (Testimony of William Alexander); Tr. pp. 771-73 (Testimony of Greta Sullivan))

46. At least 19 additional potential residents applied for the charitable care and were placed on the waiting list. No one from the waiting list was given a residence in Meridian in the year 2000. However, more than a dozen residences were rented in 2000. (Joint Ex. No. 1 pp. M 00138-225; Tr. pp. 771-73 (Testimony of Greta Sullivan))

47. No charitable contributions were made to create or maintain the Charitable Care Expenditures Fund or "hardship fund". In 2000 and as of the date of the hearing, the fund did not exist. Meridian continues to provide charitable care to the extent possible within Meridian's financial constraints to those three original residents. (Intervenor's Ex. No. 6 p. 4; Tr. pp. 557-58 (Testimony of William Alexander); Tr. pp. 799-800 (Testimony of Greta Sullivan))

48. Although the hardship fund was never formally established, it was referenced in an affidavit of use attached to Meridian's application for property tax exemption. (Intervenor's Ex. No. 1)

49. No resident has been evicted or otherwise had services terminated by Meridian for failure to pay necessary fees. No evidence was presented that any resident needed to have fees waived due to an inability to pay. The policy does not include people who have the ability, but refuse to pay the fees. (Intervenor's Ex. No. 1; Tr. pp. 446-7, 449 (Testimony of William Alexander); Tr. pp. 810-11 (Testimony of Greta Sullivan))

50. The Residency Agreement at “**C. Monthly Fees**” states:

1. Financial Information Form

Prior to signing this agreement you have submitted a completed Financial Information Form, a copy of which is attached to this Agreement. You acknowledge that the form is truthful and complete in all respects, is no [sic] misleading in any way, and does not omit any information necessary to residency at Meridian Village. You also agree that Meridian will rely on this Application in the determination for approval to enter into this Agreement.

2. Entrance Requirements

You must meet the following Entrance Requirements to the satisfaction of Meridian prior to occupancy. The Board of Directors of Meridian Village must approve any exceptions.

a. Health

You acknowledge that Meridian Village is not a nursing home or other long-term care facility, but rather is a retirement residence intended and designed for persons not requiring services from Meridian Village which it is not licensed or otherwise required by law to provide. You must demonstrate the ability to maintain a private, independent residence, the ability to manage your own person and the ability to maintain personal hygiene, and you must not pose a danger to the health, safety, or property of others. The parties agree that you may utilize the assistance of a third party caregiver in order to meet Meridian Village’s requirements of residency.

b. Financial

Except as otherwise provided for under our Community Care Policy, you must, at all times of residency, possess the assets and income sufficient for payment of the monthly fees. After payment of the fees, you must possess sufficient funds to meet ordinary and customary living expenses. (Joint Ex. No. 1 pp. M 00040-41)

51. The monthly service fee for the Stratford 994 square-foot two bedroom one-bath apartments with garage and patio is \$1,600. The monthly service fee for the Windsor 1,053

square foot two bedroom two-bath apartments with garage and patio is \$1,850. The charge for a second person is \$165 per month. (Joint Ex. No. 1 p. M 00217)

52. Included in the cost of the monthly fee are air conditioning, heating, water, electricity and trash removal. Each apartment is equipped with a stacked washer and dryer and parking is available. For the apartments, covered parking requires an additional fee. (Joint Ex. No. 1 p. M 00039)

53. Meridian provides scheduled transportation to local shopping centers, grocery stores, and scheduled events or points of common interest at no additional charge. A planned calendar of social events is available for those who want to participate. Twenty-four hour emergency response system, fire detection and sprinklers (apartments only) are provided as well. (Joint Ex. No. 1 p. M 00039)

54. According to the “Residency Contracts on the Property” category submitted with the application to the Department, the Meridian Village Residency Agreement states that one meal daily is provided to the apartment tenant. Villa¹⁰ residents are entitled to ten (10) meals a month in the dining room. Meridian provides regular once-a-month housekeeping services in the villas and twice-a-month housekeeping services in apartments. Additional services including additional meals for guests, beauty and barbershop services, personal laundry services, unscheduled transportation, alterations to the apartments, such as shelves, additional electrical or cable outlets, and additional housekeeping services are available on a “fee for service” basis. (Joint Ex. No. 1 pp. M 00037-40)

55. Pursuant to its residency agreements,¹¹ Meridian requires that a resident must be able to maintain a private independent residence and personal hygiene in order to qualify to live

¹⁰ The term “Villa” is used in the agreement. It is assumed this refers to the patio homes.

¹¹ Meridian supplied a number of different types of residency/reservation agreements used on the subject property,

in the villas (patio homes) and apartments. The assistance of a third-party caregiver is allowed. Except as otherwise provide under the Community Care Policy, a tenant must possess the assets and income sufficient for the payment of the monthly fees and ordinary and customary living expenses. (Joint Ex. No. 1 p. M 00041; Tr. p. 806 (Testimony of Greta Sullivan))

56. According to the agreements, a prospective tenant must submit a completed Financial Information Form that Meridian relies on in the determination for approval to enter into a residency agreement. However, not all prospective tenants filled out the Financial Information Form. (Joint Ex. No. 1 pp. M 00040-41; Intervenor's Ex. No. 1; Tr. pp. 624-25, 691-704, 750-52 (Testimony of Greta Sullivan))

57. Prospective tenants, in order to reserve new villas (patio homes) or apartments being constructed, paid a "Priority Reservation Deposit" and/or "Reservation Deposit" of up to \$5,000. That money was credited toward the resident's security deposit and resident's monthly rent. Should a tenant have decided, for any reason, not to move into Meridian Village or rescind the agreement, the deposit, less either a \$500 or \$1,000 processing and marketing fee, was refunded within 30 days of the written request to Meridian's Marketing Department. (Joint Ex. No. 1 pp. M 00342, 00409, 00457)

58. Meridian has two options regarding the monthly resident fee; either pay the fee in full each month or pay an up-front deposit. According to the "Resident Fee Schedule" if a tenant

including: the "Meridian Village Residency Agreement" (Joint Ex. No. 1 p. M 00038); the "Meridian Village Pre-Occupancy Reservation Agreement" (Joint Ex. No. 1 p. M 00203); the "Residency Agreement by and between Meridian Village Association & _____" (Joint Ex. No. 1 p. M 00211); the "Lutheran Senior Services Independent Living Residency Agreement" (Joint Ex. No. 1 p. M 00226); the "Meridian Village General Agreement" (Joint Ex. No. 1 p. M 00340); the "Residency Agreement by and between Meridian Village Association and Resident" (Joint Ex. No. 1 p. M 00422); and the "Meridian Village Pre-Construction Reservation Agreement" (Joint Ex. No. 1 p. M 01005). The exhibit at the pages listed are examples of the various types of leases in the record.

wishes to deposit with Meridian a set amount called the “Resident Fee”¹² the tenant will get a corresponding reduction in the monthly service fee.¹³ (Joint Ex. No. 1 pp. M 00331,¹⁴ 00641-52)

59. When a resident elects the resident fee payment arrangement, the resident fee is payable to Meridian with the execution of the residency agreement. Should the agreement be terminated within the first six (6) months following its effective date, Meridian shall refund one hundred percent (100%) of the resident’s fee to the resident or resident’s authorized representative within sixty days (60) of the termination of the agreement. Thereafter, should the agreement be terminated, Meridian shall refund ninety percent (90%) of the resident fee to the resident or resident’s authorized representative within sixty (60) days of the termination of the agreement. Any sum due Meridian which is not paid by the resident or covered by the security deposit shall be offset against any amount to be refunded. (Joint Ex. No. 1 p. M 00323.)

60. The “General Agreement” residency applications contain an “Entrance Fee Schedule” that had entrance fee payments of: \$25,000=\$104 reduction in rent; \$50,000=\$208; \$75,000=\$312; \$100,000=\$416; and \$150,000=\$625. The schedule also stated “The entrance fee is optional. 90% of the entrance fee payment is refunded to the resident or to heirs when the villa or the apartment is vacated.” (Joint Ex. No. 1 p. M 00835.)

61. The residency agreement states that Meridian may terminate the agreement with a 30-day notice if a resident is not capable of independent living, if a resident falsifies information on its financial information form, if a resident fails to comply with the rules outlined in the Resident Services Guide, if a resident fails to pay the monthly fee or other amounts owing to

¹² The amounts listed were \$25,000; \$50,000; \$100,000 and \$150,000. (Joint Ex. No. 1 p. M 00652)

¹³ The corresponding reductions are \$25,000=\$104; \$50,000=\$210; \$75,000=\$314; \$100,000=\$500; and \$150,000=\$875. (See Joint Ex. No. 1 p. M 00641-52) Note: These amounts are different than those found on the “General Agreement” residency application found at Joint Ex. No. 1 pp. M 00331 entitled also ‘Resident Fee Schedule’ and Joint Ex No. 1 p. M 00835 entitled “Entrance Fee Schedule.” The amounts listed on those two documents are \$25,000=\$104 reduction in monthly rent; \$50,000=\$208 reduction; \$75,000=\$312; \$100,000=\$416; and \$150,000=\$625. The differences in the agreements and amounts were not explained.

¹⁴ All the types of residency agreement packets submitted contained a type of resident fee schedule.

Meridian when due, or by a resident's death. If the agreement is terminated for any of the enumerated reasons, the tenant is responsible for all remaining monthly fees and any other amounts owed to Meridian. If there is damage to the unit, the tenant is responsible for payment of the restoration charges. (Joint Ex. No. 1 p. M 00044)

62. Meridian will give tenants no less than sixty days advance written notice before there is a change in fees or charges or in the scope of care or services. (Joint Ex. No. 1 p. M 00045)

63. Subject to the timely payment of monthly fees and the terms of the residency agreement, a tenant has the right to exclusive occupancy of the apartment or villa for one year. The right to occupy does not include any legal or equitable interest in the title to the real or personal property. (Joint Ex. No. 1 p. M 00041)

64. A security deposit and the first month's monthly fees are paid in advance of occupancy. (Joint Ex. No. 1 p. M 00042¹⁵)

65. The Residency Agreement, at paragraph 6 entitled "RESIDENT FEE AND MONTHLY SERVICE FEE" contains the following language:

H. Resident shall be considered in default if the Monthly Service Fee or any additional charges due are not received by Owner by the fifth day of each calendar month. Resident shall then pay Owner a late charge of fifteen dollars (\$15.00), plus a sum equal to one dollar (\$1.00) times the number of days after the fifth day of each month. In addition, in the event any Monthly Service Fee or any additional charges due are paid by means of a check and such check is returned unpaid, for whatever reason, Resident agrees to pay Owner promptly upon demand by Owner, the sum of twenty-five dollars (\$25.00) as a reasonable amount to defray Owner's administrative and handling expenses caused by such returned check. Owner's failure, on any occasion, to demand payment of the late payment charge or the return check charge shall not be deemed a waiver of the right to demand such charges on any

¹⁵ This exhibit at this page is an example of the same information found in the various lease types in the record.

future occasion nor shall Owner's acceptance of any late payment charge be deemed a waiver of Owner's right to declare a forfeiture hereunder. Resident agrees that this provision shall survive the termination of this agreement. (Joint Ex. No. 1 pp. M 00247)

66. The Residency Agreement in ¶ 6 also states:

C. The Monthly Service Fee for the first month is due on or before the date the Resident occupies the Unit and shall be prorated should occupancy begin on other than the first day of a calendar month. Any remaining amount of any Pre-Occupancy Reservation Deposit not credited against the Security shall be credited against the Monthly Service Fees due until such amount is exhausted. Thereafter, Resident shall pay Owner the Monthly Service Fee in advance on the first day of each calendar month during the term of this Agreement without set-off, deduction or demand. Resident may not use the Security for payment of any month's Monthly Service Fee. All Monthly Service Fees shall be paid to Owner at the management office of Owner. (Joint Ex. No. 1 pp. M 00246)

67. The "Lutheran Child & Family Services of Illinois Balance Sheet, Meridian Fund-June 2000" shows for the current year an amount due of \$871,801 to Lutheran Child and Family Services Operating fund from Meridian. For the prior year, an amount of \$135,080 is shown due. Funds due from Meridian to Lutheran Child and Family Services were not written off or forgiven in 2000. (Joint Ex. No. 1 p. M 00286; Tr. pp. 511-14 (Testimony of William Alexander))

CONCLUSIONS OF LAW:

Article IX, §6 of the Illinois Constitution of 1970, provides in part as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

This provision is not self-executing but merely authorizes the General Assembly to enact legislation that exempts property within the constitutional limitations imposed. City of Chicago v. Illinois Department of Revenue, 147 Ill. 2d 484 (1992)

It is well settled in Illinois that when a statute purports to grant an exemption from taxation, the tax exemption provision is to be construed strictly against the one who asserts the claim of exemption. International College of Surgeons v. Brenza, 8 Ill. 2d 141 (1956) Whenever doubt arises, it is to be resolved against exemption and in favor of taxation. People ex rel. Goodman v. University of Illinois Foundation, 388 Ill. 363 (1944). Applicant has requested a property tax exemption under either the religious use exemption and/or the charitable exemption of the Property Tax Code.

RELIGIOUS USE

Pursuant to the authority granted by the Constitution, the legislature has enacted exemptions from property tax. At issue is the religious exemption found at 35 **ILCS** 200/15-40.

A portion of the statute states:

Property used exclusively for religious purposes, or used exclusively for school and religious purposes, or for orphanages and not leased or otherwise used with a view to profit, is exempt, including all such property owned by churches or religious institutions or denominations and used in conjunction therewith as housing facilities provided for ministers (including bishops, district superintendents and similar church officials whose ministerial duties are not limited to a single congregation), their spouses, children and domestic workers, performing the duties of their vocation as ministers at such churches or religious institutions or for such religious denominations, including the convents and monasteries where persons engaged in religious activities reside. . .

Applicant asserts that Meridian Village was founded and funded by the Lutheran Church. A synod in the Lutheran Church is group of different districts made up of numerous church

congregations. (Tr. pp. 130-131 (Testimony of Pastor Walter Schoedel, Director of Church Relations for Lutheran Senior Services)) The synod has conventions that elect boards that are responsible for social ministry, human care, schools, seminaries, world missions, city missions and interrelations with other Christians. (Tr. pp. 131-32 (Testimony of Pastor Schoedel)) Applicant asserts that because Meridian Village was founded after a need was identified in the community regarding retirement living for older adults, that it is part of the Lutheran Church-Missouri Synod, and, as such, is part of the Lutheran Church. However, Applicant admits, and the evidence establishes, that the Lutheran Church did not own Meridian in 2000. (Tr. p. 305 (Testimony of Chaplin Hempel)) Rather, the warranty deed in evidence establishes that Meridian, an Illinois corporation, owned the retirement complex at that time.

The vast majority of Meridian's evidence was devoted to the proposition that the provision of housing and care to seniors is a religious mission or tenet of the Lutheran Church and that the creation and operation of Meridian Village was motivated by a desire to carry out this mission. Meridian argues that First Amendment principles require that its characterization of its beliefs and activities as religious must be accepted, and therefore, its assertion that its provision of housing and care to seniors is primarily for religious purposes must also be accepted. (Applicant's Brief pp. 40-52) This argument was rejected in Fairview Haven v. Department of Revenue, 153 Ill. App. 3d 763, 772 (4th Dist. 1987). The Appellate Court made it clear that the Department of Revenue did not reject Fairview Haven's characterization of the doctrinal structure of beliefs of the church, nor did it reject applicant's contention that the "motivating factor behind Fairview's operation [was] to provide an opportunity to help the elderly and fulfill the tenets of the Apostolic Christian Church" and to "carry out Christian service work, care for the elderly, and engage in evangelization." *Id.* at 768, 773-74. The Court

accepted the contention that the religion encourages charity and kindness to other persons, particularly the aged, as well as the practice of all virtues. *Id.* at 774. The Court, nonetheless, agreed with the Department's conclusion that the facility's primary use was not religious, (*id.* at 773), and rejected the argument that the provision of senior housing, in and of itself, is a primarily religious purpose. *Id.* at 774-75. The court stated:

Here it is not contested that the operation of Fairview provided an opportunity for members of the Apostolic Christian faith to carry out Christian service work, care for the elderly, and engage in evangelization. However, operation of the nursing home was not necessary for these religious purposes, which could also have been accomplished through other means. (See generally *Yakima First Baptist Homes, Inc. v Gray* (1973), 82 Wash.2d 295, 510 P.2d 243; *Christian Retirement Homes, Inc. v. Board of Equalization* (1970), 186 Neb. 11, 180 N.W.2d 136.) In *Yakima* the taxpayer argued that care of the aged was a religious purpose. The court noted that the practice of charity, kindness to other persons and in particular to the aged, and the practice of all virtues are encouraged by religious organizations; however, it cannot be stated that they are religious purposes within commonly accepted definitions of the word. *Id.* at 774.

In *Fairview Haven v. Department of Revenue*, *supra*, religious activities such as worship, Bible studies and prayer took place at the facility. There was also evidence that Fairview Haven piped religious services into residents' rooms and played religiously themed background music. Church elders were available to counsel residents and their families. Payroll checks contained religious messages. The maintenance man was a lay minister. Sixty percent of the residents and approximately forty percent of the employees were members of the four Apostolic Christian Church of America congregations that organized and supported Fairview Haven. Church members volunteered at the facility and residents, family members, and employees had been converted. Nonetheless, the Appellate Court agreed with the Department that the primary use of the property was as a retirement home and not religious in nature. *Id.* at 763, 768-69, 773.

The facts regarding the use of the Fairview Haven facility show an even greater religious emphasis than that shown at Meridian, and the court determined that even then, the religious exemption did not apply.

Meridian Village is a retirement community that provides housing for elderly people for fees. (Intervenor's Ex. No. 8; Applicant's Ex. No. 5). Nothing in the documentation submitted for Meridian suggests any religious activity. In 2000, Meridian did not employ ordained ministers. One ordained Lutheran minister is a resident of the village and receives a minor discount on his monthly fees in exchange for his services in leading activities such as Bible studies and prayers in the community. There is nothing in the record to reflect how often this minister conducts these activities. Although Applicant asserts, in its response to Intervenor's interrogatories, that religious activities occur daily such as "the care of the needy, regular religious services, Bible studies, prayer and prayer meetings and activities designed to enhance the faith of all residents" no evidence of this was forthcoming from Meridian. (Intervenor's Ex. No. 6)

In People ex rel. McCullough v. Deutsche Gemeinde, 249 Ill. 132 (1911) the Court stated:

Unless facts are stated from which it can be seen that the use is religious or a school use in the sense in which the term is used in the constitution the application should be denied. The words used in the constitution are to be taken in their ordinary acceptance and under the rule of strict construction, which excludes all purposes not within the contemplation of the framers of that instrument. While religion, in its broadest sense, includes all forms and phases of belief in existence of superior beings capable of exercising power over the human race, yet in the common understanding and in its application to the people of this State it means the formal recognition of God as members of societies and associations. As applied to the uses of property, a religious purpose means a use of such property by a religious society or body of persons as a stated place for public worship, Sunday schools and religious instruction. *Id.* at 136-137

The Illinois Constitution and section 15-40 of the Property Tax Code both require that qualifying property be “used” primarily for religious purposes. Thus, religious motivation is not enough to qualify for a property tax exemption; property must actually be used primarily for that purpose. Although Meridian’s witnesses presented ample evidence regarding the Lutheran Church’s beliefs, missions and motivations regarding the creation of the Meridian Village facility, Meridian’s actual religious use of this property is minimal. Witnesses described religious art, Bibles, and a quarterly religious publication located in the lobby, (Tr. pp. 606-08 (Testimony of Greta Sullivan)) but were unable to describe an area that had regular religious use and function.

Further, neither the employees nor the residents are required to be Christians or Lutheran. Employees of Applicant are not expected to discuss the teachings of Christ or impart doctrine to the residents. (Tr. pp. 279-80 (Testimony of Pastor Hempel)) Although Lutheran pastoral care is available to church employees and lay-workers, that has not happened with Meridian employees. (Tr. p. 253 (Testimony of Pastor Hempel))

Meridian has identified no part of its budget dedicated to religious activities. (Joint Ex. No. 1 pp. M 00289-91) It has identified no area or room on the parcel at issue that was used primarily for religious purposes. Although the testimony at hearing was that worship services and Bible studies are available to residents, there is no requirement to attend. (Tr. pp. 269-70 (Testimony of Pastor Hempel); Tr. pp. 339-40 (Testimony of Dorothy Mansholt); Tr. pp. 594-97 (Testimony of Greta Sullivan)) Nor has Meridian presented any evidence that Meridian personnel conducted such activities in 2000. In fact, Meridian’s witnesses acknowledged that the activities that take place in Meridian Village, including those of a religious nature, are indistinguishable from those which are available at for-profit, secular retirement facilities. (Tr.

pp. 363-65 (Testimony of Dorothy Mansholt); Tr. pp. 481-82 (Testimony of William Alexander); Tr. pp. 763-66 (Testimony of Carl Rausch))¹⁶

The entities that the Applicant insists are all part of the Lutheran Church, such as Lutheran Senior Services, Lutheran Child and Family Services, and the Lutheran Church-Missouri Synod are separately incorporated entities (Tr. p. 177 (Testimony of Pastor Schoedel)) and therefore, by law, are separate and unique bodies. Where two corporations are wholly owned by a single parent corporation, the corporations must be deemed separate legal entities unless it is shown "that one corporation is the mere instrumentality or dummy of the other and that, under the circumstances, the observance of the fiction of separate corporate existence will sanction a fraud or injustice." Schmidt v. Milburn Brothers, Inc., 296 Ill. App. 3d 260, 268 (1st Dist. 1998). Meridian Village is a separate corporation as shown by its articles of incorporation and its own acknowledgement. There is no reason to conclude that the observance of the separate corporate existences would sanction fraud or injustice. Therefore, Meridian is a separate legal entity from the Church and Lutheran Senior Services.

Despite the fact that the "History of Lutheran Senior Services" document provides that in the year 2001, Lutheran Senior Services purchased Meridian Village, located in Glen Carbon, Illinois, from Lutheran Child and Family Services of Illinois, the evidence contains a warranty deed that establishes that Meridian owned the property in 2000. Also in June 2001, Provident Group became a for-profit subsidiary of Lutheran Senior Services. Provident Group is a St.

¹⁶ Furthermore, Applicant asserts that Meridian Village is an RSO (recognized service agency) of the Church. These RSOs are set up to respond to needs identified by the Church and apply to the social ministry, human care, schools, seminaries, world missions, city missions and interrelations with other Christian boards to address those needs. The evidence of record is that Meridian is only an affiliate RSO and there is nothing in the record that provides information as to what an affiliate RSO designation imparts. More importantly, however, an RSO is a Church designation of organizational structure and has no legal significance whatsoever.

Louis based organization that specializes in developing and managing senior living communities and, starting in 2001, began managing Meridian. (Joint Ex. No. 1 p. M 01714)

The record establishes that the primary focus of the facility at issue is to provide retirement housing. Meridian's Chairman of the Board of Directors corrected his attorney when he referred to the Lutheran Children and Family Services' involvement with the elderly. The attorney characterized the involvement as elder ministry and the chairman corrected him and stated "elderly housing". (Tr. p. 408 (Testimony of William Alexander)) Clearly Meridian's primary focus is the provision of senior housing and any religious elements are secondary in purpose and focus.

The planning for Meridian arose out of an effort to meet the identified need for senior housing. The Property Tax Exemption application filed by Meridian, at paragraph 10 states, "Describe specific activities which take place on this property and the frequency of these activities. *Be specific and include the percentages of building used for specific activity purpose.*" Meridian's response is "all buildings are used by Meridian Village Association, an Illinois not-for-profit corporation, for senior housing. Each unit must have a resident that is at least sixty two (62) years of age. Services included: meals, transportation, activities, housekeeping, and library. Food services, activities and transportation are available seven days a week. Each building will contain dining facilities 5% of space, Activity room 4% of space." (Joint Ex. No. 1 p. M 00006) The Applicant, itself, makes no mention in the application of religious use of the property.

There is no reported authority for granting a religious property tax exemption to a retirement community and Applicant's arguments on this point are not relevant.¹⁷ To the

¹⁷ Applicant's argument is that "Meridian is not only structurally part of the Church but Meridian is an expression of the Church's tenets, mission and evangelical effort. The Church has the right to express its beliefs through its

contrary, Applicant's attempts to distinguish Yakima First Baptist Homes v. Gray, 82 Wash. 2d 295 (1973) and In Christian Retirement Homes v. Board of Equalization of the County of Lancaster, 186 Neb. 11 (1970),¹⁸ that find that caring for the aged is not a religious purpose within the definition of "religious," are not persuasive.

The only exemption for residences in the religious property tax exemption statute is for parsonages. There is no allegation by Meridian that the subject property is used as a parsonage. Although People ex rel. McCullough v. Deutsche Gemeinde, *supra*, was decided many years ago, it remains valid law on the point that the religious property tax exemption is granted for ordinarily perceived religious use of property, that is for property used for praying and a formal recognition of God. Applicant has not presented sufficient evidence that its use of Meridian is primarily for religious purposes.

CHARITABLE OWNERSHIP AND USE

Also at issue is the charitable provision for property tax exemption found at 35 ILCS 200/15-65, which states, in pertinent part:

All property of the following is exempt when actually and exclusively used for charitable or beneficent purposes, and not leased or otherwise used with a view to profit:

- (a) Institutions of public charity.
- (b) Beneficent and charitable organizations incorporated in any state of the United States, . . .

actions and the Department's taxation of Meridian could eventually hamper or lead to the silencing of that expression in violation of the First Amendment, Free Speech and Free Expression rights. *Surinach v. Pesquera de Busquets*, 604 F. 2d 73, 79 (1st Cir. 1979); *see also Buckley v. Valeo*, 424 U. S. 1 (1974) (U. S. Supreme Court found commitment of money and other resources to a cause was a form of speech, thus the protection accorded expression is broader than written or spoken communication); *McCulloch v. Maryland*, 17 U.S. 316 (U. S. Supreme Court articulates that the power to tax is the power to destroy). Similarly, the court has afforded constitutional protection from government regulation to church related institutions. *NLRB v. Catholic Bishop of Chicago*, 559 F. 2d 1112 (7th Cir. 1977) *affim. on dif. Grounds*, 440 U.S. 490 (1979). Failure of this Tribunal to affirm the Department's decision will lead to an infringement of these constitutional rights." (Applicant's Brief p. 41)

¹⁸ Decisions from other state courts are not binding on this tribunal.

- (c) Old people's homes, facilities for persons with a developmental disability, and not-for-profit organizations providing services or facilities related to the goals of educational, social and physical development, if, upon making application for the exemption, the applicant provides affirmative evidence that the home or facility or organization is an exempt organization under paragraph (3) of Section 501(c) of the Internal Revenue Code . . . and either (i) the bylaws of the home or facility or not-for-profit organization provide for a waiver or reduction, based upon an individual's ability to pay, of any entrance fee, assignment of assets, or fee for services

The Illinois Supreme Court in Eden Retirement Center, Inc. v. The Department of Revenue, 213 Ill. 2d 273 (2004) decided that a not-for-profit corporation organized exclusively for charitable purposes in providing housing, nursing and other related care for the aged did not qualify for a property tax exemption as a charitable organization using the property for charitable purposes. In that matter, up-front entrance fees ranged from \$65,000 to \$76,900. Residents at Eden were required to sign a resident agreement/lease and provide the retirement center with a detailed financial report as part of the resident's application. A security deposit of \$5,000 was also required under the lease. The agreement provided that if a resident failed to make any of the required payments for 90 days, the board of directors of Eden might, at its discretion, cancel the agreement. Late charges were provided for in the agreement and failure to pay rent constituted a default upon which Eden's remedies included the right to terminate the lease and take possession of the rental unit. While Eden never evicted a resident because of an inability to pay, it never waived or reduced the entrance fee. *Id.* at 279-80. The circuit and appellate courts relied upon the language of 35 **ILCS** 200/15-65(c) and determined that the guidelines articulated in Methodist Old Peoples Home v. Korzen, 39 Ill. 2d 149 (1968) were no longer necessary to determine whether an organization such as Eden could qualify for a property tax exemption. The circuit and appellate courts determined, based upon Eden's 501(c)(3) Federal Income Tax exemption and bylaw provision reducing or waiving fees based upon a resident's ability to pay,

that Eden was entitled to a property tax exemption. *Id.* at 282-3.

The Supreme Court disagreed. Relying upon the controlling Illinois Constitutional provisions for property tax exemptions, the Court stated that the legislature cannot broaden the exemptions by legislative fiat. "Charitable use is a *constitutional* requirement." *Id.* at 287. Methodist Old Peoples Home v. Korzen, *supra*, articulated the guidelines or criteria for resolving the constitutional question of charitable use and is the proper analysis to use in deciding whether Eden actually and exclusively used property for charitable purposes. *Id.* at 287. The Court determined that the ALJ applied the appropriate legal test to the undisputed facts. The ALJ concluded that Eden met only one of the six listed guidelines set forth in Methodist Old Peoples Home v. Korzen, *supra*, and decided that Eden did not qualify for a property tax exemption. *Id.* at 293-4.

The property tax exemption at issue applies to "institutions of public charity." Our courts have long refused to apply this exemption absent suitable evidence that the property in question is owned by an "institution of public charity" and "exclusively used" for purposes which qualify as "charitable" within the meaning of Illinois law. Methodist Old Peoples Home v. Korzen, *supra* at 156. They have also ascribed to the following definition of charity originally articulated in Crerar v. Williams, 145 Ill. 625, 643 (1893) which states: "a charity is a gift to be applied consistently with existing laws, for the benefit of an indefinite number of persons, persuading them to an educational or religious conviction, for their general welfare - or in some way reducing the burdens of government." In determining what is charitable use of property, courts consider the following factors:

1. Whether the benefits derived from the property are for an indefinite number of persons;
2. Whether the property benefits the public in such a way as

to persuade them to an educational or religious conviction, for their general welfare;

3. Whether the property benefits the public in such a way that it reduces the burdens of government;
4. Whether the organization has no capital, capital stock, or shareholders and earns no profits or dividends;
5. Whether the organization's funds are derived mainly from public and private charity;
6. Whether such funds are held in trust for the objects and purposes expressed in the organization's charter;
7. Whether the organization dispenses charity to all that need and apply for it;
8. Whether the organization provides gain or profit in a private sense to any person connected with it;
9. Whether the organization places obstacles of any character in the way of those who need and would avail themselves of the charitable benefits dispensed; and
10. Whether the exclusively (primary) use of its property is for charitable purposes. Methodist Old Peoples Home v. Korzen, *supra*, at 156-57.

These factors are not requirements, but are guidelines that are considered in assessing an organization's charitable status. Du Page County Board of Review v. Joint Commission on Accreditation of Healthcare Organizations, 274 Ill. App. 3d 461, 468 (2nd Dist. 1995) (*leave to appeal denied*, 164 Ill. 2d 561)

To begin analyzing Meridian's ownership and use of the subject property under the guidelines set forth in Methodist Old Peoples Home v. Korzen, *supra*, by virtue of its 501(c)(3) designation from the Internal Revenue Service, I find that Applicant has established that it has no capital, capital stock, or shareholders. Meridian has no stockholders or shareholders that would derive a profit from the subject property if it were to generate one. (Tr. p. 368 (Testimony of Dorothy Manscholt); Tr. p. 396 (Testimony of William Alexander))

Although Meridian's Procedures for Implementing the Community Care Policy (Joint Ex. No. 1 p. M 00085) states that "In furtherance of its charitable purposes, and consistent with historical practices and financial resources, Meridian Village shall provide significant charitable assistance to the community's elderly," in fact that has not been established as Meridian's actual policy. In the case of People ex rel. Pearsall v. The Catholic Bishop of Chicago, 311 Ill. 11 (1924), the Illinois Supreme Court held that the mere fact that a property was intended to be used for an exempt purpose was not sufficient to exempt said property. The Court required that the actual primary exempt use must have begun for the property to be exempt.

Even though Meridian's by-laws state that it will waive or reduce, based upon an individual's ability to pay, any entrance fee, assignment of assets or fees for services, Meridian requires financial information on which it relies to admit a resident. Residents must possess sufficient assets and income for the payment of the monthly fees and ordinary living expenses. (Joint Ex. No. 1 p. M 00040) Monthly rent ranges from \$1,222 to \$1,915. (Joint Ex. No. 1 pp. M 00308-09) There is no evidence that these rates are not at or above market rental rates for the area. The security deposits are approximately the same as the amounts of the monthly rents. Some occupants paid entrance fees of as much as \$75,000. (Joint Ex. No. 1 p. M 00310) The resident fee schedule allowed for the up-front payment of Resident Fees from \$25,000 to \$150,000 for a corresponding small reduction in rent. (Joint Ex. No. 1 p. M 00253) If a resident moves out or dies, Meridian retains 10% of the Resident Fee. Its rental agreements permit the eviction of residents for non-payment of fees and rents. In addition, Meridian imposes health requirements, in effect, becoming a residence for older persons who could care for themselves, physically and financially.

Illinois courts have concluded that where most residents are required to pay a substantial amount of "prepaid rent," that requirement clearly represents an obstacle to the receipt of the benefits offered by an old people's home and have determined that this situation does not qualify for a property tax exemption. Good Samaritan Home of Quincy v. Illinois Department of Revenue, 130 Ill. App. 3d 1036 (4th Dist. 1985). Although the \$25,000 - \$150,000 Resident Fees are optional, these are certainly substantial amounts, and they only marginally reduce the amount of rent that a resident is required to pay in order to live in the independent living units. These options gave no ownership rights but provided a benefit to those who could afford these large upfront costs.

Before construction, some residents made "pre-construction payments" of as much as \$5,000 to reserve a unit. Those payments were subsequently applied to rent and security deposits. Although Meridian asserts that it does not discharge residents who fail to make payments, (Joint Ex. No. 1 p. M 00008) that assertion is negated by the clear language in all the lease agreements that gives Meridian the right to evict a resident for non-payment of fees, or for various other reasons, including the resident's health. (Joint Ex. No. 1 pp. M 00043-44) There is nothing in the contracts or brochures submitted by Meridian that alerts the resident that there is a waiver provision or financial assistance for any fees or rents.

Regarding the Methodist Old People's Home v. Korzen, *supra*, guideline that funds should come from public and private charity, there is no indication in the record that Meridian did any sort of fund raising in 2000, or that its funds came from public and private charity. It was asserted that in 2000 Meridian maintained a separate checking account that was controlled by Chicago Lutheran Child and Family Services. A transfer is made from the Lutheran Child and Family Services account to the Meridian Village account to cover any shortfalls. It is

alleged that those amounts may be shown on the aggregate balance sheets of the two entities. (Tr. pp. 480-481 (Testimony of William Alexander)). However, there was no separate accounting submitted showing that Lutheran Child and Family Services paid the shortfalls, or that there was any transfer made. The Intervenors repeatedly questioned Applicant's witnesses about the amounts that Meridian showed as deficits in 2000 and whether they were loans that needed to be repaid. Meridian's witnesses never definitively answered the questions.

Also, according to the "Lutheran Child & Family Services of Illinois Balance Sheet for Meridian Fund-June 2000" and the "INCOME STATEMENT Meridian Operating Fund – For the Month ending June 2000" Meridian's funds came from investments, security deposits, private service fees, interest and dividends and rents. In fact, in Applicant's response to the Intervenor's Supplemental Interrogatories, it is stated "Meridian has received no funds since inception other than rent and security deposit payments." (Intervenor's Ex. No. 6)

Although the by-laws refer to the charitable care of Meridian, no charitable contributions were made to create or maintain the Charitable Care Expenditures Fund or "hardship fund." Applicant's administrator admitted that she had not heard of the fund before this litigation was commenced. (Tr. pp. 796-800 (Testimony of Greta Sullivan)) Meridian's Board chairman, who described the hardship fund in his Affidavit of Use that was submitted with the original application, admitted at hearing that he had no personal knowledge of the fund and just assumed it had been created. (Tr. pp. 500, 552-53 (Testimony of William Alexander))

In addition, even though Meridian asserts that it gave at least \$30,000 worth of charity care in 2000, the records submitted show that all three people that received the care had to pay security deposits. (Joint Ex. No. 1 p. M 00309) There were at least 19 people that could not afford the costs of Meridian and were placed on a waiting list. These people were not placed at

Meridian even though space was available. Therefore, it cannot be said that charity is dispensed to all who need and apply for it, another Methodist Old Peoples Home v. Korzen, guideline.

In reality, in 2000 and as of the date of the hearing, the “hardship fund” did not exist. Meridian continues to provide charitable care only to the three residents identified as needy in 1999 and early 2000 when the application for property tax exemption was being executed and submitted to the authorities.

The rental agreement may be terminated by Meridian with a 30-day notice if Applicant and/or the resident and family determines that the tenant is not capable of independent living, if a tenant falsifies the Financial Information Form, if a tenant fails to comply with the rules as outlined in the Resident Services Guide, if a tenant fails to pay the monthly fees or other amounts owing Meridian, or by death. If the agreement is terminated for any of the enumerated reasons, the tenant is responsible for all remaining monthly fees and any other amounts owed to Meridian. If there is damage to the unit, the tenant is responsible for payment of the restoration charges.

For the one person whose monthly fees and rent were totally waived by Meridian, her application, dated May 28, 1999, discloses in the “Asset and Debit Information” area of the document that her \$58,000 - \$59,000 home is paid off, as is her 1982 automobile. Additional pages of the application show she owes \$216.36 on credit cards and owes her brother \$5,600, to be paid in full upon the sale of the home. She has a checking and money market account and Social Security Income of \$862 per month. (Joint Ex. No. 1 pp. M 00141-44; Tr. pp. 774-82 (Testimony of Greta Sullivan)) Why there were at least 19 others placed on the waiting list in 2000 and how this person was chosen to receive charitable care was not discussed in depth at the hearing. When asked if the person’s family member was somehow connected with Meridian, Applicant’s witness responded “no”; however, when asked if the witness knew of any family

connection, the witness responded “There is no connection with the staff at this time, no.” (Tr. p. 690 (Testimony of Greta Sullivan)) The question certainly remains if there was a connection in 2000.

Furthermore, while Meridian’s application materials to the Department would seem to indicate that Meridian provides benefits to an indefinite number of persons by waiving and reducing fees for any person who cannot afford them, in 1999, Meridian set a total of \$30,000 to be allocated for charitable financial assistance. Numerous potential residents were on a waiting list in 2000. Meridian did not reach full capacity until 2002, which means that Meridian had apartments and patio homes available and vacant. The people on the waiting list were not accommodated. Although Meridian’s by-laws appear to mandate charitable policies, Meridian did not, as an actual practice, provide assistance to needy candidates.

As the Appellate Court found in Wyndemere Retirement Community v. Department of Revenue, 274 Ill. App. 3d 455 (2nd Dist. 1995), *rehearing denied, leave to appeal denied* (164 Ill. 2d 585), waiving entrance fees and monthly charges for the only two persons who had ever sought financial assistance was not sufficient to conclude that Wyndemere was a charitable organization using the property for charitable purposes. Wyndemere Retirement Community, an Illinois not-for-profit corporation, was developing a 216-unit life care community for the elderly in Wheaton, Illinois. It offered its residents one, two and three bedroom apartments, in addition to age appropriate programs and services. The facility’s amenities included a convenience store, beauty and barber shops, exercise, medical, bank, and postal facilities. *Id.* at 456

The residents at Wyndemere did not own their units, but, rather, paid an entrance fee based on the size of their apartment. These fees ranged from \$99,000 to \$285,000. In addition, the residents paid a monthly fee to cover such services as housekeeping, laundry service, cable

television, utilities, meals, and transportation. A percentage of the monthly fee was allocated to cover the residents' future health care needs. *Id.*

A potential Wyndemere resident filled out a detailed application eliciting financial and health information, as Wyndemere residents were required to be able to live independently when beginning a residency. *Id.* at 457 Once qualified and admitted, the resident was allowed to remain even if his health declined, and even if he could no longer pay the monthly fee or other charges. If a resident transferred to a long-term-care facility, he would remain responsible for the monthly fee to Wyndemere. If a permanent move to a long-term facility was necessary, the resident's unit was "resold" with 75% of the market value placed into an account for his benefit. Any outstanding fees owed to Wyndemere would be taken from this account. *Id.*

As does Meridian, Wyndemere had a written charitable policy; however, the Court found that the amount of charity provided was *de minimus*, with the potential for continued charity on the premises speculative, at best. *Id.* In applying the guidelines set forth in Methodist Old Peoples Home v. Korzen, that Court found that the substantial fees charged by Wyndemere, the fact that it did not derive its funds mainly from public and private charity, and the fact that obstacles were placed in the way of those seeking charitable benefits, precluded the Court from granting Wyndemere a sales tax exemption as a charitable organization. The Court stated:

Charging fees and rendering benefits to persons not poverty-stricken does not destroy the charitable nature of an organization, but this is only true to the extent that the organization also admits persons who need and seek the benefits offered but are unable to pay. Small v. Pangle, 60 Ill.2d 510 (1975)

Additionally, we find that Wyndemere failed to show that obstacles would not be placed in the way of those seeking the charitable benefits or that the primary purpose for which the property is used is for charitable purposes. It is clear from the record that the primary purpose of Wyndemere is not to provide charity, but to provide a

certain enhanced lifestyle to the elderly who can afford to pay for it.
Id. at 460-61.

Meridian's by-laws provide for a waiver or reduction of fees based upon an individual's ability to pay any entrance fee, assignment of assets or fee for services. It is well settled in Illinois that the character and purpose for which a corporation is organized must be ascertained from its articles of incorporation. People v. Wyanett Light Co., 306 Ill. 377 (1922), Rotary International v. Paschen, 14 Ill. 2d 480 (1958). The statute requires that the by-laws of the home or facility or not-for-profit organization provide for a waiver or reduction, based upon an individual's ability to pay. Simply having the waiver provision in the by-laws is not sufficient. The courts have stated that an applicant must "comply unequivocally with the constitutional requirement of exclusive charitable use." Eden Retirement Center Inc. v. Department of Revenue, *supra* at 287. Even with a written charitable policy, Wyndemere was determined not to qualify as operating as a charity because the charitable practice was obviously speculative and *de minimus* at best.

Applicant, in a manner similar to Wyndemere, restricts its residents to persons of a certain age or older who must meet physical and mental independent living requirements, financial resource requirements, and other terms of the occupancy agreement. Applicant reserves the right to screen residents for medical and financial appropriateness and deny residency based upon a potential resident's inability to meet the independent living requirements.

It is equally clear that Meridian failed to show that obstacles would not be placed in the way of those seeking the charitable benefits. In fact, at least the 19 persons placed on the waiting list in 2000 were not able to avail themselves of Meridian's charitable benefits, if there were any. "The discretionary acceptance of a few applicants who cannot pay the required fees" is not sufficient to establish that an organization is charitable. Plymouth Place, Inc. v. Tully, 54 Ill.

App. 3d 657 (1st Dist. 1977)

Another guideline raised in Methodist Old People's Home v. Korzen, is that a charitable organization should lessen the burdens of government. In this regard, the Intervenor raise a valid point. The limit of Meridian's charitable care was \$30,000 in 2000. Meridian's property taxes would have been \$160,501.46. There certainly has been no evidence presented that Meridian had placed an amount equal to its saved real estate taxes into a benevolent fund or in any other way used that money in a charitable manner as mandated in Methodist Old Peoples Home v. Korzen.

In addition, by not paying its fair share of property taxes, Meridian cannot be said to be reducing any governmental burden. In fact, it is adding to it in that units of local government in Madison County have lost revenue since the Department granted Meridian's exemption application. If the provision of financial assistance or some other type of "charity," in amounts that are less than a potential property tax liability, would entitle that entity to a charitable property tax exemption, all companies would presumably take such measures as a wise business planning strategy.

In fact, the record discloses that the creation of Meridian's financial assistance budget was done as a business planning strategy. In 1999 when Meridian initiated the \$30,000 charitable assistance fund amount, documents in evidence show that it was done in conjunction with the exemption application process. Meridian was preparing its exemption application and corresponding with its counsel about requirements for qualifying for a property tax exemption. (Joint Ex. No. 1 pp. M 00128-29). In the letter dated April 5, 1999 from Meridian' counsel, along with a draft of the property tax exemption application with all attachments and the Model Charity Care Policy, the attorneys forwarded resolutions to amend Meridian's by-laws to add

language that was “required”¹⁹ in order to qualify for Property Tax Exemption.

The Madison County Office of Board of Review received Meridian’s exemption application on March 24, 2000. (Joint Ex. No. 1 p. M 00001) The Department received the application on February 27, 2001. (Joint Ex. No. 1 p. M 00003) The three residents receiving full or partial reductions in rent moved into Meridian Village on December 13, 1999, November 7, 1999, and February 25, 2000, respectively. (Joint Ex. No. 1 p. M 00309) After submitting its application, Meridian did not admit any more financially needy applicants or engage in fundraising efforts to raise money for additional financial assistance. In fact, potential residents were told “that Meridian’s allotment of charity care units or services was already at capacity.” (Intervenor’s Ex. No. 6; Tr. pp. 406-07 (Testimony of William Alexander))

Finally, as to Applicant’s assertion that studies showed that living in independent retirement facilities generally reduces the burdens on government by keeping people healthier longer, (Tr. pp. 1003-04 (Testimony of Carl Rausch)), there was no competent, credible evidence submitted to support the assertion nor did the testimony differentiate between a for-profit retirement facility and a not-for-profit. (Tr. p. 1004 (Testimony of Carl Rausch)) There is no evidence that Meridian reduces governmental burdens any differently than a for-profit independent retirement facility wherein services are available to those who can afford to pay for them.

I conclude from the evidence of record that Applicant fails to satisfy the majority of the criteria established by Methodist Old Peoples Home v. Korzen, *supra*, for qualification as a charitable organization using property for charitable purposes.

BURDEN OF PROOF/PRIMA FACIE CASE

¹⁹ Emphasis in the original letter from the attorney to the Applicant. (Joint Ex. No. 1 p. M 00128).

On April 26, 2001 the Department found the retirement home in the instant case to be exempt and this is the “status quo” of the property at issue. The Intervenors seek to change the “status quo” and accordingly, the burden falls on them to go forward with evidence to change that “status quo.” “The usual test to determine which side has the burden of proof is to ascertain which party would be entitled to a verdict if no evidence was offered.” The burden of proof is determined by ascertaining which party, without evidence, would be compelled to submit to an adverse judgment on the pleadings. 1 Robert S. Hunter, Trial Handbook for Illinois Lawyers, §14.5 (7th ed. 1997 and Supp. 2004). If no evidence was offered by either side at the evidentiary hearing, the Intervenor would be “unsuccessful” and “compelled to submit to an adverse judgment.” As this case would have been decided in Applicant’s favor without the protest and request for a hearing by Intervenors, Intervenors are the ones that seek a change in the status quo and were required to go forward with evidence. The Intervenors presented their case at the outset of this hearing and offered clear and convincing evidence that the exemption was granted in error.

GENERAL CONSIDERATIONS AND CONCLUSION

Initially, it is noted that based upon the warranty deed submitted, the legal owner of the subject property in 2000 is Meridian. Applicant was established because of HUD considerations. Meridian is but one of a number of corporate subsidiaries of Lutheran Senior Ministries. Prior to being acquired by Lutheran Senior Ministries in 2001, Meridian was controlled by Lutheran Child and Family Services. There are numerous organizations involved in this property tax exemption application and hearing. The intermingling of financial data, even though the subsidiaries are separate corporations, makes it hard to distinguish which funds are attributable to Meridian. The testimony at the hearing often failed to distinguish between the activities of the

various corporations or specified what activities took place in 2000.

As a result of the above, it cannot be concluded as analyzed above that Applicant's use of the subject property is primarily religious as defined by Illinois law. Nor can it be concluded from the record presented that Applicant is a charitable organization and that the use of the subject real property is primarily for charitable purposes.

Wherefore, it is recommended that property identified by Parcel Index Number 14-1-15-28-00-000-005.001 in Madison County remain on the tax rolls for the 2000 assessment year.

Barbara S. Rowe
Administrative Law Judge
November 7, 2005