

BEFORE THE IDAHO BOARD OF TAX APPEALS

ST. LUKE'S EPISCOPAL CHURCH, INC.,)	
)	
Appellant,)	APPEAL NOS. 20-A-1022
)	and 20-A-1023
v.)	
)	FINAL DECISION
KOOTENAI COUNTY,)	AND ORDER
)	
Respondent.)	
)	
)	
)	

PROPERTY TAX EXEMPTION APPEALS

These appeals are taken from decisions of the Kootenai County Board of Equalization denying applications for property tax exemptions concerning properties described by Parcel Nos. C1800019007A and C1800026001A. The appeals concern the 2020 tax year.

These matters came on for telephonic hearing October 9, 2020, before Hearing Officer Travis VanLith. Senior Warden Ann Rule appeared at hearing for Appellant. Chief Deputy Assessor Joe Johns represented Respondent.

Board Members Leland Heinrich, David Kinghorn, and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns whether the subject properties qualify for property tax exemption pursuant to Idaho Code § 63-602B, as properties belonging to a religious corporation.

The decisions of the Kootenai County Board of Equalization are affirmed.

FINDINGS OF FACT

Appeal No. 20-A-1022 (Parcel No. Ci800019007A)

The assessed land value is \$82,500, and the improvements' value is \$1,078,957, totaling \$1,161,457. Appellant contends the subject property is exempt from taxation as property belonging to a religious corporation.

Appeal No. 20-A-1023 (Parcel No. C1800026001A)

The assessed land value is \$82,500, and the improvements' value is \$18,530, totaling \$101,030. Appellant contends the subject property is exempt from taxation as property belonging to a religious corporation.

The subject properties, located in Coeur d'Alene, Idaho, are owned and used by Appellant for religious and related nonprofit activities. Appellant detailed its long history in the local community, stretching back to 1892. Indeed, the subject properties represent one (1) of the longest operating churches in Coeur d'Alene. It was noted the subject properties have qualified for property tax exemption since at least 1952. There were a couple instances, during the 1980s and 1990s, where subjects' property tax exemption was lost due to administrative oversight by church staff in failing to file the required annual exemption applications. In both instances, however, the board of county commissioners cancelled the tax obligations and reinstated the exemption the following year. Appellant reported having timely applied for the exemption for the past couple decades and having been granted such exemption each of those years. Appellant testified the subject properties have always been, and continue to be, used exclusively for religious and related nonprofit purposes.

Appellant does not dispute the application for the current 2020 assessment year was not filed by the April 15, 2020, deadline, however, requested consideration be given for the difficult circumstances leading to the untimely filing. In response to the growing threat posed by the COVID-19 virus, and in consideration of the large number of elderly members in the church's congregation, Appellant held its last in-person service at the subject facility on March 8, 2020. A limited number of staff members were allowed to work out of the church's office,

though for only a minimal number of hours per week. Then, on March 25, 2020, Governor Brad Little issued a statewide stay-at-home order, which effectively closed all non-essential business operations and activities, including houses of worship. Following this order, access to the subject facilities was limited to only a couple hours once per week for purposes of bookkeeping, mail responses, and checking phone and email messages. On April 15, 2020, Governor Little extended Idaho's stay-at-home order to April 30, 2020, so Appellant's use of the subject facility continued to be limited to only a couple hours per week until the end of April.

On April 14, 2020, a church administrator found a final notice regarding exemption applications for the subject properties from the Kootenai County Board of County Commissioners (BOCC) dated April 10, 2020. The intent of the notice was to serve as a final reminder exemption applications for the subject properties had not yet been received, and that the filing deadline was April 15, 2020. The church administrator contacted the county commissioners' office on April 14, 2020, to obtain the necessary application paperwork, which was emailed to the church administrator the same morning, with a reminder about the deadline, as well as the requirement to have the paperwork notarized. Due to the continuing stay-at-home order, the church administrator had a difficult time finding an available notary public, so there was some delay in completing the required paperwork. On April 27, 2020, the required exemption application materials were submitted. The BOCC denied Appellant's application on April 29, 2020, and issued a Revocation of Tax Exemption Order accordingly. The Kootenai County Board of Equalization (BOE) upheld the decision to deny property tax exemption for the subject properties due to the untimely filing of the application materials.

Appellant characterized the late filing of the application materials as an administrative

oversight caused by the COVID-19 global pandemic and the accompanying stay-at-home order. Appellant likened the pandemic to a *force majeure*, which prevented timely filing of the exemption application. Appellant pointed out deadlines for certain federal and state tax filings were extended several months in response to the pandemic, and questioned whether it was an oversight to not similarly extend the filing deadline for property tax exemption applications. In Appellant's view, the subject properties have a long history of qualifying for the religious exemption, so the late filing for 2020 should be excused due to the unprecedented circumstances surrounding the COVID-19 outbreak and restrictions on business activities in the weeks leading up to the April 15th filing deadline.

Respondent provided a timeline of events leading to the current appeals, including the county process used for many years for property tax exemption applications. On January 10, 2020, the county commissioners' office sent a notice to all owners whose property qualified for exemption the prior year to remind them about the filing deadline. This notice was followed by a phone call reminder on March 17, 2020, to those owners who had not yet filed the required application materials. Respondent reported leaving a voicemail at the number on file for Appellant. On April 1, 2020, the commissioners' office issued a final notice to remind owners of the upcoming filing deadline. On April 14, 2020, the commissioners' office received a telephone call from Appellant's administrator concerning the exemption for the subject properties. That same day, the commissioners' office emailed the application materials and again reminded the church administrator of the April 15th filing deadline, as well as the requirement that the application be notarized.

Though understanding of the circumstances surrounding the COVID-19 outbreak

leading up to the filing deadline, Respondent maintained the exemption must be denied because it was not timely filed as required by Idaho Code. It was explained the commissioners' office remained open throughout the governor's stay-at-home order, and was available to receive and process property tax exemption applications. In this regard, Respondent noted a total of sixty-seven (67) applications were received between March 15th and April 15th, the effective period for the stay-at-home order. Roughly two-thirds (2/3) of all exemption applications were received prior to March 15, 2020, which Respondent commented was typical in prior years.

Appellant testified it did not receive the commissioners' original notice in January, nor does Appellant have any record of receiving the March 17th voicemail reminder. Appellant did receive the final notice; however, due to the restricted access to the church's offices, such notice was discovered on April 14, 2020, the day prior to the deadline. Appellant explained all reasonable efforts were made to submit the application by the deadline, but such efforts were stifled by the COVID-19 restrictions ordered by the governor. Appellant maintained the required application materials would have been timely filed if not for the pandemic and petitioned this Board to reinstate subjects' exempt statuses.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest, or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, hereby enters the following.

The issue in these appeals concerns whether the subject properties qualify for an

exemption from taxation, as properties belonging to a religious corporation. For the reasons expressed below, the Board finds the subject properties do not qualify for the religious exemption for the 2020 assessment year.

Before addressing the substance of the issue at bar, there was some suggestion by Appellant that Respondent contributed to the untimely filing of the exemption materials. Specifically, Appellant stated it did not receive the initial notice in January, nor a voicemail message in March. While Appellant's position is understood, it is somewhat misguided, because the county is under no obligation to remind taxpayers about exemption filing deadlines. That the Kootenai County Commissioners proactively reach out to owners with potential exemption claims does not absolve a taxpayer of the responsibility for satisfying the requirements of the claimed property tax exemption in those instances where the commissioners' "reach-out" efforts fail or are otherwise missed. So, while two (2) of the commissioners' attempts to remind Appellant of the filing deadline were not received, Appellant bears the ultimate responsibility for timely filing the required materials for the sought exemptions.

Turning now to the exemption itself, the religious exemption is found in Idaho Code § 63-602B, which in pertinent part provides,

(1) The following property is exempt from taxation: property belonging to any religious limited liability company, corporation or society of this state, used exclusively for and in connection with any combination of religious, educational, or recreational purposes or activities of such religious limited liability company, corporation or society

The record clearly shows Appellant is a religious corporation and the subject properties are used exclusively and in connection with Appellant's religious purposes. Ownership and use

are not at issue. The issue instead centers on Appellant's application for the religious exemption, which is required annually.

Idaho Code § 63-602 reads in relevant part,

(3) All exemptions from property taxation claimed shall be approved annually by the board of county commissioners or unless otherwise provided:

(a) [Certain exemptions] . . . do not require application or approval by the board of county commissioners. For all other exemptions in title 63, Idaho Code, the process of applying is as specified in the exemption statutes or, if no process is specified and application is necessary to identify the property eligible for the exemption, annual application is required. Exemptions in other titles require no application.

(b) For exemptions that require an application, provided such exemptions are for property otherwise subject to assessment by the county assessor, *the application must be made to the county commissioners by April 15* and the taxpayer and county assessor must be notified of any decision by May 15, unless otherwise provided by law
(Emphasis added).

As the above statute makes clear, an owner seeking a religious exemption must make annual application for such exemption with the Kootenai County Board of Commissioners by April 15th of the applicable tax year. In this case, Appellant did not file an exemption application prior to April 15, 2020. As such, the claim of exemption must be denied. "Idaho case law requires that all tax exemption statutes be strictly and narrowly construed against the taxpayer, who must show a clear entitlement . . . Courts may not presume exemptions, nor may they extend an exemption by judicial construction where not specifically authorized. The language of exemption statutes must be given its ordinary meaning and an exemption will not be sustained unless within the spirit as well as the letter of the law." *Corp. of the Presiding Bishop*

of Church of Jesus Christ of Latter-Day Saints v. Ada Cnty., 123 Idaho 410, 416, 849 P.2d 83, 86 (1993).

Appellant likened the pandemic to a *force majeure* which prevented timely application for the claimed exemption. While an apt description, *force majeure* is a legal concept unique to contract law. In simple terms, *force majeure* refers to an unforeseen event which prevents a party to a contract from fulfilling the obligations of the contract. Unfortunately, *force majeure* does not apply to a claimant's compliance with property tax exemption filing deadlines.

The Board likewise was unpersuaded extensions of certain federal and state tax filing deadlines should also apply to filing deadlines for property tax exemption applications. Idaho's deadline extensions were restricted solely to income tax, the property tax reduction benefit program, and the special property tax reduction program for disabled veterans. The Board cannot presume the governor also intended the extension to apply to property tax exemptions. Rather, the Board is restricted to the explicit language of the applicable extension orders, which make no reference to property tax exemption deadlines.

The Board sympathizes with the truly unfortunate and difficult circumstances leading to the untimely filing of the exemption applications at issue. Regrettably, however, the Board is bound by the statute as written and is not free to deviate from the clear requirements contained therein, specifically the April 15, 2020, deadline by which to file an exemption application. As the statute does not contain a waiver of the filing standards, the Board is left with no choice but to deny Appellant's claim for a tax exemption on the subject property. Though subject's tax-exempt status is lost for 2020, Appellant may wish to pursue a hardship claim with the county commissioners.

As the subject properties do not qualify for the religious exemption for the current year, the parcels must be assessed at market value.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2020, in this case. Market value is always estimated as of a precise point in time. Idaho Code § 63-201 provides the following definition,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Idaho Code § 63-511 places the burden on the Appellant to demonstrate subjects' valuations are erroneous by a preponderance of the evidence. As Appellant did not contest subjects' respective assessed values, the burden of proof was not satisfied. Accordingly, the decisions of the Kootenai County Board of Equalization are affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Kootenai County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 25th day of January, 2021.

St. Luke's Episcopal Church
Appeal Nos. 20-A-1022 and 20-A-1023

IDAHO BOARD OF TAX APPEALS