

BEFORE THE IDAHO BOARD OF TAX APPEALS

SAWTOOTH VALLEY CHAPEL, INC.,)	
)	
Appellant,)	APPEAL NO. 22-A-1194
)	
v.)	FINAL DECISION AND ORDER
)	
CUSTER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RELIGIOUS EXEMPTION APPEAL

This appeal is taken from a decision of the Custer County Board of Equalization denying a property tax exemption for property described by Parcel No. RPE00280000450A. The appeal concerns the 2022 tax year.

This matter came on for telephonic (Zoom) hearing December 8, 2022, before Board Member Leland Heinrich. Attorney John McGown appeared at hearing for Appellant. Custer County Prosecuting Attorney Justin Oleson represented Respondent.

Board Members Kenneth Nuhn and Doug Wallis join in issuing this decision.

The issue on appeal concerns whether the subject property qualifies for an exemption from property taxation pursuant to Idaho Code § 63-602B as property belonging to a religious organization.

The decision of the Custer County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$210,440, and the improvements' value is \$246,270, totaling \$456,710. Appellant contends the property is exempt from property taxation as provided in Idaho Code § 63-602B for property belonging to a religious organization.

The subject property, known locally as Sawtooth Meditation Chapel, is located in Stanley, Idaho. Specific characteristics of the property were somewhat limited, though the property is improved with a 1,789 square foot single-level log-style, rectangular structure

with a covered front entry area constructed in 1977. The building, which was not constructed for winter use, was noted to suffer from various deferred maintenance issues.

In March 2022, Appellant timely filed the annual application for the religious exemption provided in Idaho Code § 63-602B for the subject property with the Custer Board of County Commissioners (BOCC). Appellant completed the first four (4) sections of the application which pertained to general identifying and contact information. As the exemption had been granted the prior year, the application instructed the remaining three (3) sections requesting more detailed information about Appellant and the subject property could be left blank, so those sections of the application were not completed. At its March 14, 2022, meeting, the BOCC initially voted to approve Appellant's exemption application for the subject property. However, after the county assessor shared some concerns about whether the property qualified for the religious exemption, the BOCC rescinded its prior vote of approval and denied the exemption for the subject property. The BOCC's denial of the exemption application was memorialized in a letter dated April 4, 2022, which simply stated, "[a]fter review from our Attorney the Commissioners, as Board of Equalization [sic], denied your exemption."

Appellant then appealed the BOCC's decision to the Custer County Board of Equalization (BOE). On July 18, 2022, the BOE issued a decision letter denying the exemption and accepting the assessed valuation determined by the assessor's office. Appellant then timely appealed to this Board, petitioning reinstatement of the religious exemption for the subject property.

Appellant contended the property is used exclusively for religious purposes and thus qualifies for the exemption, as it has for decades. Appellant detailed the various

religious uses of the property, including Sunday worship services, private meditations open to the public, religious weddings, and memorial services. Three (3) different denominations host Sunday services at the property for roughly twelve (12) weeks of the year from May to October, as water and heat are not available during the colder months of the year. Weddings and memorial services are hosted at the property throughout the year. Appellant reported an average of one (1) memorial service a year and no more than twenty-two (22) weddings at the property in any given year. Fees are charged for events hosted by third party groups. The property is also open to the public free-of-charge during daylight hours for prayer and private devotions year-round. Though the building remains locked when events are not taking place, Appellant stated the access code is freely available to anyone who calls and requests entry. Appellant stressed there are no other uses of the facility, and therefore the property qualifies for the religious exemption.

Due primarily to the fees charged for hosting events at the property, Respondent contended subject's use is not religious in nature. Respondent also questioned whether Appellant was a religious corporation. Respondent viewed the rental use of the property as more commercial than religious. And because Appellant does not host religious services at the property or otherwise have a congregation, Respondent argued Appellant is not a religious corporation. Based primarily on these factors, Respondent maintained the subject property does not qualify for the religious exemption for the 2022 assessment year.

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 sole issue in this appeal is whether the subject property qualifies for an exemption from taxation pursuant to Idaho Code § 63-602B as property belonging to a religious corporation. For the reasons below, we find the property does not qualify for the religious exemption for the 2022 assessment year.

Idaho Code § 63-602B 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, including any and all residences used for or in furtherance of such purposes.

(2) If the entirety of any property belonging to any such religious limited liability company, corporation or society is leased by such owner, or if such religious limited liability company, corporation or society uses the entirety of such property for business or commercial purposes from which a revenue is derived, then the same shall be assessed and taxed as any other property. If any such property is leased in part or used in part by such religious limited liability company, corporation or society for such business or commercial purposes, the assessor shall determine the value of the entire exempt property, and the value of the part used or leased for such business or commercial purposes, and that part used or leased for such business or commercial purposes shall be taxed as any other property. The Idaho state tax commission shall promulgate rules establishing a method of determining the value of the part used or leased for such business or commercial purposes. If the value of the part used or leased for such business or commercial purposes is determined to be three percent (3%) or less of the value of the entirety, the whole of said property shall remain exempt. If the value of the part used or leased for such business or commercial purposes is determined to be more than three percent (3%) of the value of the entirety, the assessor shall assess such proportionate part of such property, and shall assess the trade fixtures used in connection with the sale of all merchandise for such business or commercial purposes, provided however, that the use or lease of any property by any such religious limited liability company,

corporation or society for athletic or recreational facilities, residence halls or dormitories, meeting rooms or halls, auditoriums, or club rooms for and in connection with the purposes for which such religious limited liability company, corporation or society is organized, shall not be deemed a business or commercial purpose, even though fees or charges be imposed and revenue derived therefrom.

There are two (2) qualifying criteria for the religious exemption: 1) that the property belongs to a religious organization, and 2) that the property is used exclusively for religious, educational, or recreational purposes of such religious organization. The Board acknowledges Appellant is an IRC § 501(c)(3) nonprofit organization and therefore is exempt from federal income taxes. Appellant's federal income tax filing status, however, is not determinative of whether the property qualifies for the religious exemption provided in Idaho Code. And the fact the property has received the exemption for many previous years has no relevance with respect to the current inquiry because organizations seeking the religious exemption must apply and qualify each year. Idaho Code § 63-602(3).

Appellant emphasized the organization is managed by an uncompensated board of directors comprised of five (5) members. Appellant described the Articles of Incorporation as requiring the board of directors, “. . . to ensure the property is adequately maintained and used for religious purposes” Unfortunately, the Articles of Incorporation were not offered to the record, so the declared purposes of the organization are unknown to the Board, other than the broad maintenance purposes mentioned by Appellant. That being said, the Board did not follow how ensuring adequate maintenance of the subject property is a religious purpose as contemplated by the statute. While allowing the subject property to be used by three (3) different religious denominations for Sunday services is commendable, renting a venue to religious organizations is not itself a religious purpose or use, even if the fees charged are not commensurate with services

provided. In short, as Appellant has no congregation and hosts no religious services at the property, the Board was strained to find how Appellant is a religious corporation.

Even if Appellant were determined to be a religious corporation, the use of the subject property is not a qualifying use under the statute. The statute requires the property be “. . . used exclusively for and in connection with any combination of religious, educational, or recreational purposes or activities *of such religious . . . corporation . . .*” Id. (emphasis added). Certainly, the three (3) denominations are using the property in connection with their religious purposes, but those are not Appellant’s declared purposes. The statute unequivocally states the property must be used in furtherance of the owner’s religious purposes, not those of another religious organization. In the instant case, Appellant’s use of the subject property is effectively that of a rental property, which is not a qualifying use.

The Idaho Supreme Court has repeatedly observed, “[a] statute granting tax exemption cannot be extended by judicial construction so as to create an exemption not specifically authorized. Exemptions are never presumed. The burden is on a claimant to establish clearly a right to exemption. It must be in terms so specific and certain as to leave no room for doubt.” *Sunset Memorial Gardens, Inc. v. Idaho State Tax Comm’n*, 80 Idaho 206, 219, 327 P.2d 766, 774 (1958). In the case at bar, Appellant did not clearly establish a right to the religious exemption for the subject property. Not only does the use of the subject property fall outside the allowable scope under the statute, but Appellant was not demonstrated to be a religious corporation itself. And where the exemption is only applicable to property belonging to a religious corporation, the Board must conclude the subject property does not qualify for the religious exemption for 2022. As such, the

decision of the Custer County Board of Equalization to deny Appellant's application for the religious exemption is affirmed.

As Appellant did not protest the assessed value of the subject property, the Board will uphold the valuation.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Custer County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 1st day of May, 2023.

IDAHO BOARD OF TAX APPEALS