

BEFORE THE IDAHO BOARD OF TAX APPEALS

IDAHO LEGAL AID SERVICES, INC.,)
)
Appellant,) APPEAL NO. 25-A-1086
)
v.) FINAL DECISION AND ORDER
)
ADA COUNTY,)
)
Respondent.)
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)
_____)

CHARITABLE EXEMPTION APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying an application for property tax exemption on Parcel No. R6907520020. The appeal concerns the 2025 tax year.

This matter came on for hearing November 4, 2025, in Boise, Idaho, before Board Member Leland Heinrich. Attorney Franklin Lee appeared at hearing for Appellant. Ada County Deputy Prosecutor Dayton Reed 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 taxation pursuant to Idaho Code § 63-602C.

The decision of the Ada County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$244,000, and the improvements' value is \$894,200, totaling \$1,138,200. Appellant contends the subject property is exempt from taxation as property belonging to a charitable organization.

The subject property is a .16 acre commercial parcel located in southeast Boise, Idaho. The property is improved with a 5,472 square foot single-level office building constructed in 1981 and updated in 2015.

Appellant is a recognized tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code, with its principal place of business in Boise, Idaho, and offices in Coeur d'Alene, Lewiston, Nampa, Twin Falls, Pocatello, and Idaho Falls. Appellant's mission is "to provide equal access to justice for low-income people through quality advocacy and education." For more than 55 years, Appellant has offered free legal services to "some of Idaho's most vulnerable residents including veterans, seniors, people with disabilities, persons fleeing domestic violence, crime victims, agricultural workers" Appellant is funded through government grants and donations of time, money, and services primarily from individuals and family foundations. The subject property is used to fulfill Appellant's mission of giving free legal representation, information, forms, and resources to Idahoans in need.

Appellant purchased the subject property in 2014 for \$472,500. Appellant provided 50% of the funding for the purchase and the remaining 50% came from a grant from Legal Services Corporation (LSC), a federally funded nonprofit corporation created by the U.S. Congress in 1974. LSC operates as an independent nonprofit corporation promoting equal access to justice and providing grants for high quality civil legal assistance to low-income Americans.

Appellant and LSC memorialized the terms of the subject property's purchase in a contract titled "Agreement Governing Idaho Legal Aid Services' Purchase of Real Property and Legal Services Corporation's Property Interest." The agreement provided

Appellant and LSC would each cover 50% of the subject property's purchase price and anticipated renovation costs, at a total sum of \$591,536. The agreement further required the recorded deed to reflect that LSC "has an [50%] equitable interest in the property" and that, "In the event that [Appellant] ceases to receive LSC funding . . . [Appellant] agrees to dispose of the Property in accordance with the Property Acquisition and Management Manual" In simple terms, LSC is entitled to 50% of the proceeds when the subject property is one day sold.

Since 2015, the subject property has been granted an exemption from property taxation, as property belonging to a charitable corporation. Though neither Appellant's sources of financing nor the services offered have substantially changed since 2015, the Ada County Board of County Commissioners denied Appellant's application for the charitable exemption for the 2025 assessment year, which denial was upheld by the Ada County Board of Equalization (BOE) in July 2025.

To qualify for the charitable exemption, the property for which the exemption is sought must belong to a charitable organization and must be used exclusively for the charitable purposes of such organization. In determining whether an organization is charitable, the Idaho Supreme Court has identified eight (8) factors to consider, commonly referred to as the *Sunny Ridge* factors. The BOE's decision letter did not include the rationale for denying the exemption, but comments made by two (2) of the commissioners at the BOE hearing indicated the board was concerned with the amount of federal funding Appellant receives compared to private donations, which directly concerns the third *Sunny Ridge* factor "whether the organization is supported by donations" and implicates

the fifth factor “whether there is a general public benefit.” At the hearing before this Board, Respondent focused exclusively on the third and fifth *Sunny Ridge* factors.

Respondent framed the core question in determining an organization’s charitable status as whether the organization defrays costs that would otherwise be the burden of the government. According to the audited financial statements for 2022, 2023, and 2024, roughly 90% of Appellant’s total revenue was sourced from various federal grants, with private donations comprising the balance. Though Respondent acknowledged there is no specific government funding threshold that would *per se* disqualify an applicant from the charitable exemption, Respondent viewed the level of federal grant funding Appellant receives as excessive. Appellant stressed federal grant funding is not guaranteed, and individual grant amounts fluctuate each year. To illustrate, Appellant noted that through the first six (6) months of 2025, only about 73% of its total revenue was from federal grants, notably less than in previous years.

In support of its view Appellant receives too much federal funding to qualify as a charitable organization, Respondent highlighted the words “majority”, “largely”, and “primarily” used by the Idaho Supreme Court in three (3) prior charitable exemption cases. In finding the skilled nursing facility in *Evangelical Lutheran Good Samaritan Soc’y v. Bd. of Equalization* failed the fifth *Sunny Ridge* factor of providing a general public benefit, the Idaho Supreme Court emphasized the organization “ . . . receives the majority of its funding through the government.” 161 Idaho 378, 384, 386 P.3d 901 (2016) (emphasis added). The Court reasoned that while caring for the elderly and disabled was an obligation of the government, the organization did not fulfill that obligation for the

government because the organization was compensated by the government to provide the services.

In considering the third *Sunny Ridge* factor relating to donations, the Supreme Court noted in *Cnty. Action Agency, Inc. v. Bd. of Equalization*, 138 Idaho 82, 57 P.3d 793 (2002) that the organization, a provider of low-income housing in Lewiston, Idaho, received significant contributions from the government. In concluding the organization did not satisfy the third factor, the Court observed that the operation of the housing project “survives primarily on government subsidies.” *Id.* at 86, 797 (emphasis added).

And with respect to the fifth factor, the *Community Action* Court cited its reasoning in *Housing Southwest, Inc. v. Washington Cnty.*, 128 Idaho 335, 913 P.2d 68 (1996), that the organization at issue did not provide a general public benefit because the organization was “largely funded by the public.” *Id.* at 87, 798 (emphasis added). Against this backdrop, and in light of the federal grant funding Appellant receives, Respondent argued Appellant is not supported by donations and does not provide a general public benefit, so is therefore not a charitable organization as contemplated by Idaho Code § 63-602C.

Appellant acknowledged a large share of its total annual revenue is in the form of federal grants but stressed the organization also receives significant private donations of time, talent, and treasure from the community. It was noted the estimated value of donated time and talent, such as attorney services, is understated in Appellant’s financial statements because the figures were calculated using below-market labor rates, meaning the actual value of the donations is higher. To distinguish itself, Appellant explained that, unlike the organizations in the cases cited by Respondent, which were almost entirely dependent on government funding and would dissolve without such funding, Appellant

would continue to offer the same free legal services to Idahoans in need in the event the federal grant funding went away, just at a reduced level. In other words, Appellant would continue to exist and pursue its charitable mission in the absence of federal grants, though admittedly, the grant funding allows Appellant to serve more people. Appellant maintained the requirements of the charitable exemption statute have been satisfied and petitioned the Board to find the same.

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 is whether the subject property qualifies for the property tax exemption provided in Idaho Code § 63-602C, as property belonging to a charitable organization. For the following reasons, the Board finds the requirements for the charitable exemption have been satisfied.

The standard of review for tax exemption statutes is strict construction. “Statutes granting tax exemptions must be strictly constructed against the taxpayer and in favor of the state . . . exemptions are never presumed; nor can a statute granting a tax exemption be extended by judicial construction to create an exemption not specifically authorized.” *Housing Southwest v. Wash. Cnty.*, 128 Idaho 335, 338, 913 P.2d 68, 71 (1996).

The charitable exemption is found in Idaho Code § 63-602C, which reads in relevant part, “The following property is exempt from taxation: property belonging to

any fraternal, benevolent, or charitable limited liability company, corporation or society . . . used exclusively for the purposes for which such limited liability company, corporation or society is organized” The statute is comprised of two (2) elements: (1) that the organization is charitable, and (2) that the property at issue be used exclusively for charitable purposes. There was no dispute with respect to the second element, but the parties disagreed as to whether Appellant is a charitable organization.

In evaluating whether an organization is charitable under the statute, the Idaho Supreme Court has identified eight (8) factors to consider:

(1) the stated purposes of its undertaking, (2) whether its functions are charitable, (3) whether it is supported by donations, (4) whether the recipients of its services are required to pay for the assistance they receive, (5) whether there is a general public benefit, (6) whether the income received produces a profit, (7) to whom the assets would go upon dissolution of the corporation, and (8) whether the “charity provided” is based on need.

In re Sunny Ridge Manor, Inc., 106 Idaho 98, 103, 675 P.2d 813, 815 (1993).

“This is not an exclusive list of factors, and some of the factors may not apply in every case.” *Housing Southwest* 128 Idaho at 338, 913 P.2d at 71. “Determination of an institution’s charitable status is necessarily an individual matter, to be decided on a case-by-case basis.” *Sunny Ridge* at 98. “The term ‘charity’ is really a matter of description rather than of precise definition and therefore a case involving a determination of that which is charitable must be decided upon its own particular facts or circumstances.” *Id.* “The main question is whether the organization provides a public benefit and so qualifies as a charitable organization.” *Evangelical Lutheran Good Samaritan Soc’y v. Bd. of Equalization*, 161 Idaho 378, 381, 386 P. 3d 901, 904 (2016).

As the parties agree six (6) of the *Sunny Ridge* factors have been satisfied, the Board's analysis will focus on the third and fifth factors, which Respondent contends were not satisfied. The crux of Respondent's argument was that because the amount of federal grant money Appellant receives far exceeds the amount of private donations, Appellant is not supported by donations and there is no public benefit, so therefore, Appellant is not entitled to the charitable exemption.

In support of its position, Respondent cited three (3) decisions issued by the Idaho Supreme Court. In discussing the fifth factor in *Good Samaritan*, which concerned a skilled nursing facility, the Court found the organization did not fulfill an obligation the government would otherwise be required to fulfill because as much as 94% of organization's budget was from government programs. The Court recognized caring for the elderly and disabled was an obligation of the government, but because the government provided the funding to operate the facility at issue, the government was effectively fulfilling the obligation of providing care.

Respondent also highlighted the Court's discussion of the third and fifth factors in *Community Action Agency, Inc. v. Bd. of Equalization*, 138 Idaho 82, 57 P.3d 793 (2002), a case involving an operator of low-income apartment complexes. Regarding the third factor, the Court noted that, in addition to the property at issue being purchased using interest-free federal loans, the operator also received significant funds from various government grants. The Court determined the third factor was not satisfied because "the operation of the housing project survives primarily on government subsidies." *Id.* at 86, 797.

In evaluating the fifth factor, the *Community Action* Court referenced its prior analysis in *Housing Southwest*, another case involving a low-income housing operator, where it found, “[b]ecause Housing Southwest was largely funded by the public, it did not provide a general public benefit.” *Id.* Stressing that approximately 90% of Appellant’s total revenue for 2022, 2023, and 2024 was from federal grants, Respondent argued Appellant did not satisfy the third and fifth factors, so was not entitled to the charitable exemption for 2025.

While Respondent’s concern with the level of grant funding Appellant receives is understandable, this case is distinguishable from those cited. The organization in *Community Action* received nearly \$3,565,000 from various government grants and roughly \$760,000 in total private contributions. In concluding the organization was not supported by donations, the Court emphasized the property at issue was purchased using interest-free government loans, and of the \$760,000 in donations, “only a few thousand dollars of those donations were applicable to the operation of the housing project.” *Community Action*, at 86, 797. While the precise amount of donations to the housing project was not shared, “a few thousand dollars” would equate to less than 1% of total revenues the organization received, which is consistent with the Court’s characterization of the private sector donations as a “very small percentage of the budget.” *Id.*

Similarly, in finding the organization in *Good Samaritan* was not supported by donations, the Court observed only 0.5% of the organization’s operating revenue came from donations. And the organization in *Housing Southwest* received no private donations so was entirely funded through government grants. In the case at bar, roughly 10% of Appellant’s revenues are in the form of private donations, which is not a *de minimus*

contribution, as was the case with the donations in both *Community Action* and *Good Samaritan*.

Fundamentally, donations are intended to reduce the cost to the recipient of the service being provided. “The requirement of donations is an important factor, because charitable donations reduce the cost of the service provided, either to the public generally as direct beneficiaries of the service or to taxpayers who would otherwise bear the burden.” *Housing Southwest* at 339, 72, citing *Owyhee Motorcycle Club v. Ada Cnty.*, 123 Idaho 962, 965, 855 P.2d 47, 50 (1993). Appellant offers free services to recipients, not just discounted prices. Where the amount of donations Appellant receives, as a percentage of total revenue, far exceeds that of the organizations in *Housing Southwest*, *Community Action*, and *Good Samaritan*, the Board finds Appellant is supported by donations, thereby satisfying the third factor.

The fifth factor, whether there is a general public benefit, is closely connected to whether an organization is supported by donations, the third factor. Unsurprisingly, much of the Court’s discussion of the fifth factor in the referenced cases was similar to that offered with respect to the third factor. In *Housing Southwest*, the Court explained,

For a corporation’s uses to be considered charitable it is essential that they provide some sort of general public benefit. If the general public does not receive a direct benefit from a corporation’s donations, then the question presented by the “general public benefit” factor is whether the corporation fulfills a need which the government might otherwise be required to fill.

128 Idaho at 339, 913 P.2d at 72 (*citations omitted*).

In *Housing Southwest*, *Community Action*, and *Good Samaritan*, the Supreme Court’s focus with respect to the fifth factor again centered on the amount of government funding the respective organizations received. In *Housing Southwest*, the Court found

that the low-income housing provided by the organization did not meet a need that would otherwise be the obligation of the government because the housing needs were “. . . in fact being met by government through tax-supported FHA subsidies.” *Id.* In *Good Samaritan*, the Court held the organization did “. . . not fulfill [the elderly care] obligation for the government because it is compensated by the government for those services.” 161 Idaho at 384, 386 P.3d at 907.

In considering the fifth factor in a case involving whether the operator of a public golf course was a charitable corporation, the Court found that while there is a general requirement for a charitable organization to lessen the burden of government in order to achieve tax exempt status, “We have indicated that this is only a factor, albeit an important one, in determining tax exempt status. This factor goes to the question of degree of public benefit. To the extent that a charitable corporation performs a function otherwise required of the government, the public benefit is clear and direct.” *Coeur d’Alene Pub. Golf Club v. Kootenai Bd. of Equalization*, 106 Idaho 104, 106, 675 P.2d 819, 821 (1984).

The Court distinguished the case in *Coeur d’Alene Golf* from *Sunny Ridge* in several ways. In *Sunny Ridge* it was noted the entire cost of operating the facility was borne by the residents, who were shown to be financially and physically capable of taking care of themselves. The Court further stressed in *Sunny Ridge* that there was no evidence any outside donations had ever been used to reduce the cost of service provided. In the present case, the donations Appellant receives enable the organization to provide free legal services, which undoubtedly lessens the burden of the government. In the Board’s view, Appellant satisfies this factor.

Even if it were determined Appellant failed to satisfy the third or fifth factors, or both, the remaining six (6) or seven (7) factors, as the case may be, have been satisfied. This fact further distinguishes the present case from *Community Action* and *Good Samaritan*. Though both cases found the third and fifth factors were not satisfied for similar reasons, the Court found the organization in *Community Action* also failed the fourth factor, whether the recipients of the organization's services are required to pay for the assistance received, a factor the Court has emphasized as being ". . . of great importance and should be weighted accordingly." *Sunny Ridge*, 106 Idaho at 102, 675 P2.d at 817.

In *Good Samaritan*, the Court determined the organization failed six (6) of the eight (8) factors, with only the first and seventh factors satisfied. So, it was not simply failing the third and fifth factors that led the Court to conclude the organizations in those referenced cases were not charitable, other factors also contributed.

In the present case, Respondent's position that Appellant is not a charitable organization is based entirely on Respondent's determination the third and fifth factors have not been satisfied, with no consideration given to the remaining factors, which Respondent concedes have been all satisfied. Respondent's sharp focus on just two (2) factors was somewhat curious to the Board because it is not necessary to satisfy all eight (8) *Sunny Ridge* factors to qualify for the charitable exemption, a point emphasized repeatedly by the Idaho Supreme Court. See *Sunny Ridge* at 100, 815; *Housing Southwest* at 338, 71; *Community Action* at 86, 796; *Good Samaritan* at 381, 904.

It was also not lost on the Board that, while Appellant receives a notable amount of government funding, the funding simply influences the number of low-income Idahoans

Appellant is able to serve. If federal funding were discontinued, Appellant would continue to offer the same services using the private donations it receives, but the services would be offered at a reduced level. Which is to say, Appellant's existence is not dependent on government funding, as was the case for the organizations in *Housing Southwest* and *Community Action*, but the government funding does allow more people in need to benefit from Appellant's services, thereby broadening the public benefit.

Given the record in this matter, and weighing all of the *Sunny Ridge* factors, the Board finds Appellant is a charitable corporation as contemplated by Idaho Code § 63-602C. Accordingly, the decision of the Ada County Board of Equalization is reversed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED. The subject property qualifies for an exemption from property taxation pursuant to Idaho Code § 63-602C, as property belonging to a charitable corporation.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

DATED this 30th day of January, 2026.