

BEFORE THE IDAHO BOARD OF TAX APPEALS

FIRST UNITED PRESBYTERIAN CHURCH OF	)	
MALAD CITY, IDAHO, INC.,	)	
	)	APPEAL NO. 24-A-1063
Appellant,	)	
	)	FINAL DECISION AND ORDER
v.	)	
	)	
ONEIDA COUNTY,	)	
	)	
Respondent.	)	
	)	

RELIGIOUS EXEMPTION APPEAL

This appeal is taken from a decision of the Oneida County Board of Equalization denying an exemption claim on property described by Parcel No. RP0005601. The appeal concerns the 2024 tax year.

This matter came on for hearing October 28, 2024, in Malad City, Idaho, before Board Member Doug Wallis. Clerk of Session Toni Werk appeared at hearing for Appellant. Attorney Lyle Fuller represented Respondent.

Board Members Leland Heinrich, 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 taxes pursuant to Idaho Code § 63-602B, as property belonging to a religious corporation.

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

FINDINGS OF FACT

The assessed land value is \$23,684, and the improvements' value is \$105,722, totaling \$129,406. Appellant contends the subject property is exempt from taxation as property belonging to a religious corporation.

The subject property is an improved parcel located adjacent to the First United Presbyterian Church, also owned by Appellant, in Malad City, Idaho. Of the property's .297 total acres, .203 acres are assessed as residential land with a market value of \$23,684, and .094 acres are assessed as exempt with \$0 value. The property is improved with a roughly 2,000 square foot two (2) story residence Appellant referred to as the Church Manse.

Appellant began with the recent assessment history of the subject property leading to the current appeal. Historically, the subject property and the adjacent church property were a single parcel granted the religious exemption. In early 2022, the assessor's office learned the Church Manse was being rented, so further inquiries were made, and the issue was eventually brought before the Oneida County Board of Equalization (BOE). The BOE ultimately granted the exemption for tax year 2022.

For the 2023 assessment year, the assessor's office split the subject parcel away from the church parcel and separately assessed each. Subject was assessed at market value as an improved residential parcel and the church parcel as exempt.

For the current 2024 assessment year, Appellant filed an application with the Oneida Board of County Commissioners seeking the religious exemption for the subject property, which was denied. Appellant appealed to the BOE, which again denied the claim for exemption.

Appellant explained that after being approached by several interested families in the Spring of 2022 and due to the lack of available rental properties in town, the decision was made to rent the Church Manse. Appellant selected a family unaffiliated with the church as tenants for the Church Manse, which had sat unoccupied for the previous seven

(7) years. The rental rate of \$700 per month stayed in place until May 2024, at which time the rate was increased to \$850 per month. The tenants are responsible for paying for all utilities and basic upkeep of the property. Appellant characterized the below-market rent paid by the tenants as a “tithing/donation” and contended that due to the shortage of local rental properties, leasing out the Church Manse was in furtherance of the Oneida Interfaith Council’s mission of “uniting our community by helping people, churches, and nonprofit service organizations to bless, inspire and uplift the lives of county residents.” In Appellant’s view, renting the Church Manse to a family in need of housing is consistent with the Council’s mission and should therefore be exempt.

In arguing the subject property does not qualify for the religious exemption, Respondent cited Idaho Code § 63-602B, which requires any property belonging to a religious entity that is used for commercial purposes to be assessed at market value. Respondent contended renting the Church Manse was not a use that is consistent with the religious purposes for which the church was organized, and therefore the property is not entitled to the religious exemption.

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 controlling issue in this appeal is whether the subject property qualifies for the religious exemption provided in Idaho Code § 63-602B.

Idaho Code § 63-602B provides in pertinent part,

(1) The following property is exempt from taxation: property belonging to any religious [organization] of this state, used exclusively for and in connection with any combination of religious, educational, or recreational purposes or activities of such religious [organization] . . .

(2) If the entirety of any property belonging to any such religious [organization] is leased by such owner, or if such religious [organization] 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 [organization], 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 . . . 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 . . . provided however, that the use or lease of any property by any such religious [organization] 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 [organization] is organized, shall not be deemed a business or commercial purpose, even though fees or charges be imposed and revenue derived therefrom.

Subsection (1) of the statute identifies two (2) qualifying criteria for the exemption:

1) that the property belongs to a religious organization, and 2) that the property be used exclusively for the religious, educational, or recreational purposes of the religious organization seeking exemption. In other words, the statute requires ownership and use. The ownership requirement is satisfied in this case, as the subject property undoubtedly belongs to a religious organization. The same, however, cannot be concluded with respect to the use requirement.

According to Appellant's articles of incorporation, the stated purpose of the organization is "[t]o establish a church in Malad City . . . and in connection therewith suitable and customary organizations, for the purpose of public worship and religious

training” Historically, the Church Manse has served as the residence of past ministers, which would arguably satisfy the use requirement, but the residence sat empty for roughly seven (7) years until it was leased in 2022. The current tenants are not members of the church and do not hold services or provide religious training at the Church Manse, nor did the record suggest the property is otherwise used for religious purposes. While leasing the subject property to a family in need is a laudable endeavor and the rents certainly help support the church, the Board was strained to find that leasing the Church Manse furthers Appellant’s religious mission and must therefore conclude the use requirement of subsection (1) was not satisfied.

Subsection (2) of the statute requires property held by a religious organization to be assessed at market value if such property, entirely or in-part, is leased or used for business or commercial purposes from which a revenue is derived. The statute further clarifies that leasing or using such property for athletic or recreational facilities, residence halls or dormitories, meeting rooms or halls, auditoriums, or club rooms in connection with the purposes for which the religious entity is organized is not considered business or commercial purposes, even if revenue is derived. In the case at bar, the subject property generates revenue in the form of monthly rent paid by the tenants, and because the property is not leased for any of the excepted purposes described in the statute, the leasing activity is business or commercial in nature, even absent any profit motive of Appellant. And because the entirety of the Church Manse is leased for what is considered a business or commercial purpose, it is not exempt from taxation.

The Idaho Supreme Court has long observed, “[e]xemptions are never presumed. The burden is on a claimant to establish clearly a right to exemption. An alleged grant of

exemption will be strictly construed. It must be in terms so specific and certain as to leave no room for doubt.” *Bistline v. Bassett*, 47 Idaho 66, 71, 272 P. 696, 698 (1928). Further, “[t]ax exemptions exist as a matter of legislative grace, epitomizing the antithesis of traditional democratic notions of fairness, equality, and uniformity. Therefore, they are to be construed according to the ‘strict but reasonable’ rule of statutory construction. When an ambiguity arises in construing tax exemption statutes, the court must choose the narrowest possible reasonable construction.” *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). While the ownership requirement of Idaho Code § 63-602B was satisfied, the Board finds the use requirement was not, and therefore the subject property does not qualify for the religious exemption for 2024.

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

FINAL ORDER

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

DATED this 19th day of December, 2024.