

**IN THE IOWA DISTRICT FOR BUENA VISTA COUNTY**

<p>TRINITY BUILDING CORPORATION,  Petitioner-Appellant,  v.  IOWA PROPERTY ASSESSMENT APPEAL BOARD; BUENA VISTA COUNTY BOARD OF REVIEW  Respondents-Appellees.</p>	<p>CASE NO. CVCV030087  RULING ON JUDICIAL REVIEW</p>
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This matter comes before the Court pursuant to a Petition for Judicial Review filed by Petitioner Trinity Building Corporation filed on August 19, 2015. The action in question is a Findings of Fact, Conclusions of Law, and Order by Respondent Iowa Property Assessment Appeal Board filed July 30, 2015, affirming Respondent Buena Vista County Board of Review's previous ruling on the assessment of Petitioner's property. Respondent Buena Vista County Board of Review filed an Answer to the Petition for Judicial Review on August 21, 2015, and Respondent Iowa Property Assessment Appeal Board filed an Answer to the Petition for Judicial Review on August 24, 2015. On December 9, 2015, Petitioner filed a Brief in Support of its Petition. Respondent Buena Vista County Board of Review submitted a Brief in Resistance on December 28, 2015, and Respondent Iowa Property Assessment Appeal Board submitted a Brief in Resistance on December 29, 2015. On January 7, 2016, Petitioner filed a Reply Brief.

After considering the briefs and arguments of the parties and reviewing the record submitted, as well as the applicable law, the Court enters the following ruling.

**STATEMENT OF MATERIAL FACTS**

*1. THE PARTIES*

Petitioner Trinity Building Corporation (hereinafter “Petitioner”) is a 501(c)(2) corporation. Petitioner owns the property at issue in this case known as Parcel No. 14-04-151-001—locally described as 2015 W. 5th Street in Storm Lake, Iowa, and legally described as 04-90-37 Storm Lake Corp. Aud S/D Gov Lot 4 SW NW Lot 15 (hereinafter “the Property”). On January 1, 2013, the Property was assessed a commercial property value of \$1,056,000. Petitioner leases this property to Trimark Physicians Group (hereinafter “Trimark”), a 501(c)(3) company, who uses it as a “Family Health Center.” Both Petitioner and Trimark are owned and controlled by Trinity Health Systems, Inc. (hereinafter “Trinity Health”), a 501(c)(3) corporation which is part of a larger health system call UnityPoint Health..

Respondent Buena Vista County Board of Review (hereinafter “BoR”) is the Buena Vista County governmental entity responsible for the review and oversight of assessments of property for taxation purposes. BoR is granted all the power of local boards of review prescribed by Iowa Code Sections 441.31 and 441.35. Respondent Iowa Property Assessment Appeal Board (hereinafter “PAAB”) is a statewide property assessment appeal board created under Iowa Code Section 421.1A. Its principal purpose is to establish “a consistent, fair, and equitable property assessment appeal process” in matters including appeals from “a final decision, finding, ruling, determination, or order of a local board of review.” Iowa Code §§ 421.1A(1) & (4)(a) (2015).

*2. PROCEDURAL BACKGROUND*

Petitioner filed for an exemption from property taxes on the Property for the tax assessment date of January 1, 2013, by designating the Property as “a property of religious, literary, and charitable societies” under Iowa Code Section 427.1(8). The Buena Vista County Assessor denied this request, and Petitioner protested the Assessor’s denial to BoR. Upon BoR’s

affirmation of the denial, Petitioner appealed to PAAB through Iowa Code Section 441.37A(1)(a). After a hearing on April 20, 2015, PAAB additionally denied this exemption designation in its decision on July 30, 2015. On August 19, 2015, Petitioner petitioned this court under Iowa Code Section 441.38B for the current judicial review of PAAB's denial.

### *3. PETITIONER'S ALLEGATIONS*

As stated above, Petitioner is a 501(c)(2) company which means it has a federal income tax exempt status under 26 U.S.C. Section 501(c)(2). Specifically, this section provides an exemption for “[c]orporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section.” 26 U.S.C. Section 501(c)(2) (2015).

Petitioner has held this status since 1993. Petitioner's tenant to the Property, Trimark, and Trinity Health are also exempt from federal income tax. Trimark and Trinity Health are exempt under 26 U.S.C Section 501(c)(3) which provides exemptions for “[c]orporations . . . organized and operated exclusively for . . . charitable, scientific, testing for public safety, . . . or educational purposes, . . . no part of the net earnings of which inures to the benefit of any private shareholder or individual[.]” Trimark applied in 2012 and received this status in late 2013—it did not have this status as of the January 1, 2012, assessment of the Property.

In its Brief in Support of its Petition, Petitioner argued that all three companies utilize the Property and funds derived therefrom in a charitable manner. Specifically, Petitioner claims Trimark provides medical services in the Storm Lake community without regard to race, sex, religion, creed, disability, age, national origin, or economic status. Petitioner notes Storm Lake has a large immigrant population and that the United Community Clinic was built to provide services to an underserved population in the same area as Trimark operates. To support these

claims, Petitioner cites to the testimony of Michael DeWerff, President and CFO of Trinity Health, providing “[Trimark] is always seeing patients regardless of their ability to pay.” Additionally, Petitioner references Trimark’s articles of incorporation which contains a prohibition against private inurement of profits and alleges it provides emergency care in a clinic setting without regard to an individual patient’s financial status.

Petitioner further asserts Trimark treats federal health care program participants on a non-discriminatory basis and that it will treat patients unable to pay to the extent of its financial ability. Petitioner states Trimark provides its medical assistance to “a growing number” of uninsured or underinsured patients. To do so, it allegedly coordinates with Trinity Health through a program called the “charity care policy” wherein Trinity Health provides the process for applying for and receiving financial assistance and writes off any costs associated with the treatment. Petitioner asserts this policy is communicated to applicable patients through Trinity Health’s website, its registration staff, and its financial advocates. Petitioner claims that in 2012, 76 percent of individuals applying for assistance had their entire bills written off while an additional 21 percent received partial assistance pursuant to this “charity care policy.”

In the application for property tax exemption, Petitioner claimed that its purpose is to hold title to property, collect rent or other income from that property, and pay any profit to Trinity Health. Petitioner alleges it does not have any business income unrelated to this purported purpose. In the Property, the facility at issue in this case, Petitioner claims Trimark physicians and the patients they treat are the only users, and that it leases the Property to Trimark at a fair-market rate determined by a third-party vendor analyzing similar rents in similar locations. Petitioner asserts its articles of incorporation contains a prohibition against private inurement of profits and that any profit it receives from the Property would be required to be

paid to Trinity Health. In its property holding capacity of all its clinic properties, Petitioner did make such a profit as reflected in its IRS 990s including: a profit of \$28,827 in 2010; a loss of \$5,442 in 2011; and a profit of \$24,451 in 2012.

In turn, Petitioner claims Trinity Health utilized the funds provided by Trimark's rent according to its charitable purpose. This utilization included writing off Trimark's patients who were unable to pay and managerial expenses associated with its "integrated health care system" of health care clinics such as Trimark. Petitioner asserts Trinity Health's articles of incorporation also prohibits private inurement of profits.

Petitioner asserts all parties' charitable missions are assisted through the use of an integrated, multi-affiliate health care system. Trimark's patients allegedly benefit by their ability to come into a local clinic, see a general practitioner, and have access to the relationships the practitioner has throughout the larger system. Petitioner claims the integrated fashion of Trinity Health and the larger Unity Point Health works to provide a more comprehensive and cost-effective level of health-care in an organized and interdependent system.

### **STANDARD OF REVIEW**

The Iowa Property Assessment Appeal Board is an agency created through the Iowa Code "for the purpose of establishing a consistent, fair, and equitable [statewide] property assessment appeal process." Naumann v. Iowa Prop. Assessment Appeal Bd., 791 N.W.2d 258, 260 (Iowa 2010) (*quoting* Iowa Code § 421.1A(1) (2010)). "The IPAAB has been delegated the authority to adopt rules 'for the administration and implementation of its powers' and rules 'necessary for the preservation of order and the regulation of proceedings before the board.'" Naumann, 791 N.W.2d at 260 (*quoting* Iowa Code § 421.1A(4)(e) & (f) (2010)). Specifically,

IPAAB has the authority to hear assessment appeals from boards of review under Iowa Code 441.37A(1)(a). However, IPAAB does not have explicit or implicit authority to interpret Chapter 427 and its subsections nor does IPAAB contend such. *See Naumann*, 791 N.W.2d at 260.

Under §17A.19(1), a person aggrieved or adversely affected by a final agency action is entitled to judicial review. The district court is vested with the authority to conduct such a review with respect to agency actions, and acts in an appellate capacity to correct errors of law specified in Iowa Code §17A.19(10)(a)–(n). *Heartland Express, Inc. v. Terry*, 631 N.W.2d 260, 265 (Iowa 2001) (*citing* *IBP Inc. v. Al-Gharib*, 604 N.W.2d 621, 627 (Iowa 2000)). Iowa appellate courts grant only limited deference to the agency on issues of law, including agency rule and statutory interpretation. *West Side Transit v. Cordell*, 601 N.W.2d 691, 693 (Iowa 1999). Notwithstanding the court's ultimate responsibility to decide issues of law, when a case calls for the exercise of judgment on a matter within the agency's expertise, the appellate courts generally leave such decisions to the agency's informed judgment. *Dico, Inc. v. Iowa Employment Appeal Bd.*, 576 N.W.2d 352, 354 (Iowa 1998).

On judicial review of an agency ruling, the court must consider all evidence in the record. *Ringland Johnson, Inc. v. Hunecke*, 585 N.W.2d 269, 272 (Iowa 1998). The agency's factual findings are binding on the reviewing court if supported by substantial evidence. Iowa Code §17A.19(10)(f) (2015); *IPB*, 604 N.W.2d at 632. Substantial evidence means evidence that a reasonable person would accept as adequate to reach the same finding. *City of Hampton v. Iowa Civil Rights Comm'n*, 554 N.W.2d 532, 536 (Iowa 1996). Evidence is not substantial if a reasonable mind would find the evidence inadequate to reach the same conclusion as the agency. *Sahu v. Board of Med. Exam'rs*, 537 N.W.2d 674, 677 (Iowa 1995). The substantiality of the

evidence does not need to amount to a preponderance, although a mere scintilla of evidence will not suffice. Elliot v. Iowa Dept. of Transp., 377 N.W.2d 250, 256 (Iowa App.1985).

The court is not bound by an agency's legal conclusions and may correct misapplications of the law. Sallis v. Employment Appeal Bd., 437 N.W.2d 895, 896 (Iowa 1989). If the facts and inferences fairly to be drawn therefrom are undisputed, the issue becomes one of law. Green v. Iowa Dept. of Job Serv., 299 N.W.2d 651, 655 (Iowa 1980). The court may affirm the agency action or remand to the agency for further proceedings. Iowa Code § 17A.19(10) (2015). The court shall grant any appropriate relief from the agency action where substantial rights of a party have been prejudiced because the agency action is in excess of the agency's statutory authority, is unsupported by substantial evidence, is unreasonable, arbitrary, or capricious, or is affected by other error of law. Iowa Code § 17A.19(10) (2015); Aluminum Co. of Am. v. Employment Appeal Bd., 449 N.W.2d 391, 393-94 (Iowa 1989).

### **CONCLUSIONS OF LAW**

Iowa Code Chapter 427 covers exempt and taxable property in Iowa's property tax. Exemption statutes "are premised on the theory that the benefits received by the community from the facility outweigh the inequality caused by the exemption of the property from taxation." Bethesda Found. v. Bd. of Review of Madison Cty., 453 N.W.2d 224, 226 (Iowa Ct. App. 1990) (*citing* Atrium Village v. Bd. of Review, 417 N.W.2d 70, 72 (Iowa 1987); Richards v. Iowa Dept. of Revenue, 414 N.W.2d 344, 351 (Iowa 1987)). When applying an exemption statute, the Iowa Supreme Court has specified:

We strictly construe the statutes exempting property from taxation. Any doubt concerning an exemption must be resolved in favor of taxation. The burden is upon the party claiming the exemption to show the property should not be taxed.

Care Initiatives v. Bd. of Review of Union Cty., Iowa, 500 N.W.2d 14, 16–17 (Iowa 1993). The determination of whether an exemption applies must be made on a case-by-case basis. South Iowa Methodist Homes, Inc. v. Bd. Of Review, 173 N.W.2d 526, 532 (Iowa 1970)

Iowa Code Section 427.1(8) creates exemptions for real property taxation used or constructed by charitable institutions by providing:

**8. Property of religious, literary, and charitable societies.**

a. All grounds and buildings used or under construction by . . . scientific, charitable, [and] benevolent . . . institutions . . . solely for their appropriate objects . . . not leased or otherwise used or under construction with a view to pecuniary profit . . .

“In order to qualify for a property tax exemption under section 427.1(8) a facility must (1) be operated by a charitable, benevolent or religious institution or society; (2) be used solely for their appropriate objects; and (3) not be operated with a view toward pecuniary profit.” Evangelical Lutheran Good Samaritan Soc'y v. Bd. Of Review Of The Cty. Of Montgomery, 688 N.W.2d 482, 485 (Iowa Ct. App. 2004) (*citing* Congregation B'Nai Jeshurun v. Bd. of Review, 301 N.W.2d 755, 756 (Iowa 1981); Holy Spirit Retirement Home, Inc. v. Bd. of Review, 543 N.W.2d 907, 910 (Iowa Ct.App.1995)); Carroll Area Childcare Center, 613 N.W.2d 252, 254–55 (Iowa 2000).

**ANALYSIS**

At issue in this judicial appeal is whether Petitioner’s property located at 2015 W. 5th Street in Storm Lake, Iowa, meets the criteria of exemptible property under Iowa Code Section 427.1(8). PAAB and BoR found that it did not because Petitioner failed to show the Property was used solely for charitable or benevolent objects. In its decision denying Petitioner’s application for exemption, PAAB cited that Petitioner bore the burden to show all parties involved with the

property and funds derived therefrom utilized this involvement in charitable or benevolent ways. However, PAAB found Petitioner did not present sufficient evidence of such use. Finding this element of Section 427.1(8) lacking, PAAB did not analyze whether the property was “operated by a charitable, benevolent or religious institution or society” or whether the property was “operated with[out] a view toward pecuniary profit.”<sup>1</sup> See Evangelical Lutheran Good Samaritan Soc’y, 688 N.W.2d at 485. If the Court finds PAAB erred in its analysis of whether the property was used for a charitable purpose, it retains the ability to remand the evaluation of the Property’s exemption status to PAAB for further consideration. See Iowa Code § 17A.19(10) (2015).

*1. PAAB’S LACK OF CONSIDERATION OF THE OTHER TWO ELEMENTS NECESSARY FOR EXEMPTION*

Petitioner first contends PAAB’s failure to analyze whether the Property met the two unconsidered elements—whether the Property was operated by a charitable or benevolent institution and whether the Property was not operated with a view toward pecuniary profits—was an erroneous interpretation of the law, unreasonable, and not supported by substantial evidence under the record. However, PAAB made no determination on whether Petitioner met its burden

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<sup>1</sup> In its Brief in Support of its Petition for Judicial Review, Petitioner claims PAAB considered simultaneously the elements of whether the Property and funds derived therefrom were utilized in charitable or benevolent ways and whether the property was operated without a view toward pecuniary profits. While Petitioner concedes PAAB did not appear to have based its decision on the pecuniary profit factor, Petitioner apparently claims it was inappropriate for PAAB to consider pecuniary profits while evaluating whether the Property was used for a charitable purpose. However, Petitioner cites no authority for the claim pecuniary profits cannot be noted to inform the analysis of the charitable purpose of the Property. Instead, it merely claims pecuniary profits are a separate element and therefore implies that they cannot be considered when evaluating the other elements. Such an understanding has no statutory or case law basis. Finding no outside support for Petitioner’s contention, the Court finds PAAB was free to offer opinion on whether the parties involved with the Property were operating with pecuniary profits and to allow that analysis to inform its finding on whether the Property was used for a charitable purpose. See Evangelical Lutheran Good Samaritan Soc’y, 688 N.W.2d at 485 (providing, in that case, the charitable purpose was appropriately considered in conjunction with the question of whether the party operating the facility operated without a view toward pecuniary profit to determine whether the facility was actually utilized for a charitable purpose).

under these two elements, and PAAB was not required to investigate these remaining elements once it determined Petitioner did not meet its burden to show the Property was utilized in charitable or benevolent ways. As Petitioner notes in its brief, the three elements required to show exemption status under Iowa Code Section 427.1(8) must all be met in order for the Property to be found tax exempt. *See Id.* PAAB found Petitioner failed in one of these elements and, as such, exemption was not appropriate. Petitioner presents no legal basis to require PAAB to further evaluate whether a party meets all of the elements once determined one of the elements is not met. Therefore, finding no other outside authority, the Court finds PAAB did not act erroneously, unreasonably, and without factual support in deciding not to analyze the two remaining elements.

*2. PAAB'S DETERMINATION THAT PETITIONER FAILED TO DEMONSTRATE THE PROPERTY WAS USED SOLELY FOR A CHARITABLE PURPOSE*

Next, Petitioner claims PAAB's determination that Petitioner failed to demonstrate the Property was used solely for charitable purposes was an unreasonable, arbitrary, and capricious misapplication of the law.

As stated above, in asserting a property is entitled to exemption status under Section 427.1(8), the property owner or leasing party must show the facility is used solely for its appropriate, charitable objects. *See Evangelical Lutheran Good Samaritan Soc'y*, 688 N.W.2d at 485 (*citing Congregation B'Nai Jeshurun*, 301 N.W.2d at 756; *Holy Spirit Retirement Home*, 543 N.W.2d at 910). "Whether an organization and its 'appropriate objects' are charitable is a question of fact." *Evangelical Lutheran Good Samaritan Soc'y*, 688 N.W.2d at 486 (*citing Mayflower Homes v. Bd. of Review*, 472 N.W.2d 632, 634 (Iowa Ct.App.1991)). When a court considers whether this element is met, "the actual use of a facility is more important than its stated purpose." *Bethesda Found.*, 453 N.W.2d at 227 (*citing Richards*, 414 N.W.2d at 351); *see*

Carroll Area Child Care Ctr., 613 N.W.2d at 255 (stating that “[t]his court has referred to the requirement that the property be ‘used solely for the appropriate objects of the charitable institution’ as the ‘actual use’ test”); *see also* Partnership for Affordable Housing, Ltd. v. Bd of Review of Davenport, 505 N.W.2d 161, 167 (Iowa 1996) (stating the exemption does not depend only on the “lofty or generous motives of the donor”).

In order to determine the actual use of the property seeking exemption, “the nature and scope of the charitable purpose or use at issue” must be identified. *Id.* The evaluation of the actual use of the property extends not only to the party with the potentially-exempted property interest, but also its tenant and beneficiary of profits from the property. *See* Warden Plaza v. Bd. Of Review, 379 N.W.2d 362 (Iowa 1985).

The Iowa Supreme Court has provided that “Iowa law has long embraced [a] broad view of charity.” Richards, 414 N.W.2d at 351. Charitable use is not determinable through a bright line test. Victor Health Ctr. v. Bd. Of Review, 705 N.W.2d 340, at \*4 (Iowa Ct. App. 2005). “[C]harity [does] not always consist wholly of alms-giving, or the relief of the wants of the needy, or helpless,’ [but also encompasses] ‘the gratuitous or partly gratuitous improvement of spiritual, mental, social and physical conditions of young people,’ as well as of the elderly.” *Id.* (*quoting* Andrews v. YMCA, 226 Iowa 374, 383, 284 N.W. 186, 191 (1939)).

In the instant case, Petitioner asserts its purpose—and those of its tenant, Trimark, and the beneficiary that receives the profits from its tenant, Trinity Health—is to provide health care to all individuals regardless of ability to pay. In determining whether a medical facility—being used in such a way—was solely for appropriate objects of the charitable institution, the Iowa Court of Appeals provided:

Charity, in the form of gratuitous or partly gratuitous care, can be provided in two ways. An institution can subsidize the care of those who are unable to pay,

or it can ‘use charitable contributions to cover the costs of establishing the facility and some portion of the ongoing operating expenses, thereby subsidizing the cost of the facility for all persons who use it, regardless of their ability to pay.’

Victor Health Ctr. v. Bd. Of Review, 705 N.W.2d 340, at \*3 (Iowa Ct. App. 2005) (*citing* Carroll Area Child Care Ctr., 613 N.W.2d at 257). Petitioner does not claim and presented no evidence that it utilized charitable contributions as a way to establish or operate the facility. Instead, Petitioner claims it, or its tenant and beneficiary, subsidized some of its patient’s expenses based upon financial ability to pay. To support this claim, Petitioner notes Trimark, Trinity Health, and its own policies indicating such in their articles of incorporation and the shared charity care policy. This purported purpose fits the first scenario, and, as such, the question becomes whether these companies acted pursuant to this purpose.

In its brief, PAAB argues Petitioner failed to provide adequate evidence that the Property was used solely for charitable purposes in two ways. First, PAAB asserts Petitioner lacked evidence or testimony indicating subsidized, charitable care was provided at the Property. PAAB argues Petitioner presented no evidence of actual use of the financial aid policy and offered no direct evidence that any beneficiaries of the policy existed from the Property at issue. Instead, PAAB claims Petitioner only offered general, imprecise evidence that the policy was acted upon at some of Petitioner’s properties without specifying which ones. PAAB additionally claims Petitioner offered no evidence of how the number of individuals utilizing the financial aid program relates to the overall number of patients and profits therefrom derived. Second, PAAB asserts Petitioner lacked evidence or testimony that profits from the subject facility were used for a charitable purpose. Again, PAAB asserts Petitioner only provided evidence that its profits from the Property were provided to Trinity Health without providing any specific evidence on how those profits were used in a charitable way once Trinity Health obtained them. PAAB claims

Trinity's purported use of the profits to assist in providing an integrated health system model does not meet the level of charity without further explanation on the precise charitable benefits provided through these profits' use. Without such further evidence of the profit's charitable purpose, Trinity's use of them is similar to other, non-exempt entities that provide the same type of generalized benefit to local residents by enhancing the availability of goods and services.

The Property's charitable purpose and whether it is capable of exemption is dependent on Petitioner's use of the Property. However, Petitioner is merely the middle man between two other actors: Trinity Health and Trimark. As a holding entity, under Section 427.1(8), this means that the company who leases the land from Petitioner, Trimark, and the company that receives the profits derived from the leasing of the land, Trinity Health, must also meet the charitable requirements in their participation in the Property. If these two actors provide sufficient action on appropriate, charitable objects, and if Petitioner retains no profit from the land, it meets the charitable purpose element of Section 427.1(8).

PAAB's first contention is based on the understanding that Petitioner has not presented evidence for a finding that Trimark sufficiently acted pursuant to a charitable purpose in its use of the Property. The mere fact that Trimark was acting as a health clinic in a community with existing health clinics is not adequate evidence to show a charitable purpose. Like any other business, health clinics many times operate through charging individual patient's for their services in an effort to make profits. So, in order to show a charitable purpose, health clinics are required to show something beyond categorizing their entity as a business that provides health services.

However, Petitioner does contend that Trimark operates its clinic and provides health care to individuals without consideration of their financial status and will arrange financial aid

for individuals who cannot pay. In doing so, Petitioner cites Trimark and Trinity Health's joint charity care policy.

PAAB does not dispute that Trimark and Trinity Health have such a policy. Nonetheless, it does assert, as this court likewise finds, that Petitioner offered no direct evidence of its implementation in Trimark's clinic located on the Property. At the PAAB hearing as well as in its brief, Petitioner did offer some evidence that these policies were followed in Petitioner's properties. This evidence included the testimony of Michael DeWerff, the President and CFO of Trinity, and Barbara Honold, the director of tax and payroll of Unity Point Health Corporate, that provided at various points numerous patients took advantage of the charity care policy and that in 2012, 76 percent of individuals applying for assistance had their entire bills written off while an additional 21 percent received partial assistance. Additionally, Petitioner cites to Buena Vista County Assessor Kathy Croker's testimony that charity care was likely provided. However, all of this testimony related to Petitioner's ten properties with similar clinics operating on them in gross. This testimony additionally did not provide the specific dollar amount of financial assistance provided at the Property or the number of patients who applied for such assistance. Croker, in particular, clarified in her testimony that she was unaware of whether applicants actually received assistance at the Property. She was "never given anything specific for [the Property]" and all the information she given was imprecise as to the Property's involvement in that it was provided under the "umbrella of the other . . . health systems."

Petitioner, in fact, offered no specific examples, numbers, or any direct evidence of the charity assistance in application at the Property for PAAB to conclude that activity on the financial aid program actually occurred at the Property. PAAB had no evidence to eliminate the possibility that Trimark had no participation, or nominal participation, in the assistance program

at the Property owned by Petitioner. Even if there was nominal participation, PAAB was not required to find that a charitable purpose was being acted upon. *See, e.g., Partnership for Affordable Housing, Ltd. v. Board of Review of Davenport*, 550 N.W.2d 161 (Iowa 1996) (finding that maintaining one apartment in a thirty-seven apartment unit for battered women was not adequate to justify exemption status); *Holy Spirit Retirement Home*, 543 N.W.2d 907 (determining that having a fund to assist residents' rent in an assisted living center was not adequate to entitle the property to exemption when the fund was not used for such and the only assistance any residents got was a few individuals who had their initial residence fee's waived); *Mayflower Homes, Inc. v. Wapello Cnty. Bd. of Review*, 472 N.W.2d 632 (Iowa Ct. App. 1991); *but see Victor Health Center v. Bd. of Review*, 2005 WL 1964479 (Iowa Ct. App. 2005) (finding that exemption was appropriate where a regional medical center had a charity care program, the program was acknowledged, six patients actually benefitted from the program, and that no applicant had been turned down).

Without evidence that the assistance program was acted upon on the Property and without even a minimal understanding of the frequency and availability of the program, PAAB had no basis for finding Trimark was acting in accordance with a charitable purpose through its application of the charity care policy. Thus, without any other charitable justification, PAAB acted reasonably in denying Petitioner's exemption claim. The Court finds PAAB applied the relevant law and was justified in finding Trimark, as a user of the Petitioner's Property, was not shown to have used the Property in accordance with a charitable purpose.

PAAB's second contention is based on the understanding that Petitioner has not presented evidence for a finding that Trinity Health utilized a charitable purpose through the moneys received from Petitioner's profits gained in leasing the Property. Here, Petitioner offers

even less evidentiary support citing only Trinity Health and its own policies and articles of incorporation and general statements of the money being used for operation and management of the unified health system.

In renting the Property to Trimark at a “fair market price,” Petitioner did retain profits. Petitioner held these profits for a number of years, likely to ensure it would have sufficient operating funds. Eventually, these funds were paid to Trinity Health as required by Petitioner’s Articles of Incorporation. Once in Trinity Health’s possession, it is unclear exactly where the funds were spent beyond generally supporting Trinity Health’s health system model. Petitioner supplies broad argument that such an integrated health care system directly benefits the community surrounding the Property because it enables patients of Trimark to take advantage of a fuller range of health care services in a more efficient manner. This, however, does not effectively demonstrate that such a use is for a charitable purpose.

Without a more particular accounting of where the money derived from the Property’s lease agreement goes, who gets the benefit, and how they get the benefit, PAAB was reasonable in determining Petitioner’s assertion that the money was used to fund an integrated health care system did not meet its burden of showing action on a charitable purpose. Therefore, without any other charitable justification, PAAB again acted appropriately in denying Petitioner’s exemption claim. The Court finds PAAB applied the relevant law and was justified in finding Trinity Health, as the beneficiary of the rent derived from Petitioner’s Property, was not shown to have used the Property in accordance with a charitable purpose.

Throughout Petitioner’s claims, it implies the companies’ charitable status under federal income tax law—26 U.S.C. Sections 501(c)(2) and 501(c)(3)—should have carried more weight in PAAB’s decision and should carry more weight in the Court’s current decision. However, the

statutes classifying a corporation exempt from federal income tax and property exempt from state property tax do not seek to classify the same type of entities. The Iowa Supreme Court has provided “[t]he mere fact that an institution is a nonprofit corporation does not make it a charitable institution . . . .” Bethesda Foundation v. Bd. of Review, 453 N.W.2d 497, 499 (Iowa 1975). Likewise, Petitioner’s consistent implicit assertion that the policies and articles of incorporation of the companies should be sufficient to satisfy Section 427.1(8)’s requirement that the Property is actually utilized for a charitable purpose is incorrect. The articles of incorporation may be considered, but are not controlling. South Iowa Methodist Homes, 173 N.W.2d at 532. Petitioner constantly cites to both the exemption status of the companies and their policies from their articles of incorporation to show action on charitable purpose. However, Petitioner does not present any direct, supporting evidence outside of these initial citations and general statements. Thus, based on the above analysis, the Court finds PAAB appropriately considered the applicable law and adequately applied the facts to it in denying Petitioner’s application for exemption.

**SUMMARY**

Based on the forgoing analysis, the Court finds no error on the part of the Respondent Iowa Property Assessment Appeal Board, and holds that its decision, filed July 30, 2015, is affirmed.

**ORDER**

IT IS THEREFORE ACCORDINGLY ADJUGED THAT the July 30, 2015, decision of the Iowa Property Assessment Appeal Board is UPHeld, and Petitioner’s Petition for Judicial Review is OVERRULED.



State of Iowa Courts

**Type:** OTHER ORDER

**Case Number** CVCV030087  
**Case Title** TRINITY BUILDING CORPORATION VS IOWA PAAB, ET AL.

So Ordered

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Carl J. Petersen, District Court Judge,  
Third Judicial District of Iowa