

REPRESENTATIVE FOR PETITIONER: Brent Stuckey, HartBell, LLC
Katie Kotter, HartBell, LLC

REPRESENTATIVE FOR RESPONDENT: Brian Cusimano, Attorney

**BEFORE THE
INDIANA BOARD OF TAX REVIEW**

KNOX COUNTY HOSPITAL d/b/a)	Petition No(s): See attached
GOOD SAMARITAN HOSPITAL,)	
)	Parcel No(s): See attached
GOOD SAMARITAN HOSPITAL)	
FOUNDATION, INC., and)	County: Knox
)	
GOOD SAMARITAN HOSPITAL)	Township: Vincennes
PHYSICIAN SERVICES, INC.,)	
)	Assessment Years: See attached
Petitioners,)	
)	
v.)	
)	
KNOX COUNTY ASSESSOR,)	
Respondent)	
)	

Appeal from the Final Determinations of the
Knox County Property Tax Assessment Board of Appeals

June 1, 2015

FINAL DETERMINATION

The Indiana Board of Tax Review (“Board”) has reviewed the evidence and arguments presented in this case. The Board now enters its findings of fact and conclusions of law.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Procedural History

1. This appeal concerns exemption claims for personal and real property owned by three distinct but related entities: Knox County Hospital, also known as Good Samaritan Hospital (“Good Samaritan”), Good Samaritan Hospital Foundation (“the Foundation”), and Good Samaritan Hospital Physician Services, Inc. (“PSI”).
2. The Petitioners filed exemption applications with the Knox County Assessor for the 2012 and 2013 assessment years,¹ claiming that their property should be 100% exempt from taxation. The Knox County Property Tax Assessment Board of Appeals denied the applications and found that the property was 100% taxable. The Petitioners responded by timely filed petitions for review with the Board.
3. The Board’s designated administrative law judge, Andrew Howell, held a hearing on September 30, 2014. Neither he nor the Board inspected any of the property.
4. The following people were sworn as witnesses and testified: Rob McLin, CEO of Good Samaritan and PSI and board member of the Foundation; and Edmund Abel, CPA, with Blue & Co. LLC. Charles Hedde was also sworn but did not testify.
5. The Petitioners presented the following exhibits:
 - Petitioners’ Exhibit 1: Tax Exempt Status Determination from IRS for Good Samaritan,
 - Petitioners’ Exhibit 2: Good Samaritan Hospital License,
 - Petitioners’ Exhibit 3: Indiana Statutes governing County Hospitals §16-22, et seq.,
 - Petitioners’ Exhibit 4: Good Samaritan’s Indigent Care Policy,
 - Petitioners’ Exhibit 5: Good Samaritan’s Community Benefit Report for 2011,
 - Petitioners’ Exhibit 6: Good Samaritan’s Community Benefit Report for 2012,
 - Petitioners’ Exhibit 7: Good Samaritan’s Community Benefit Report for 2013,
 - Petitioners’ Exhibit 8: Photos of Good Samaritan’s Campus,
 - Petitioners’ Exhibit 9: Good Samaritan’s 2012 pleadings and attachments for 813

¹ Some parcels have only one year under appeal.

- Prairie Street,
- Petitioners' Exhibit 10: Good Samaritan's 2013 pleadings and attachments for 813 Prairie Street,
- Petitioners' Exhibit 11: Good Samaritan's 2012 pleadings and attachments for 811 Prairie Street,
- Petitioners' Exhibit 12: Good Samaritan's 2013 pleadings and attachments for 811 Prairie Street,
- Petitioners' Exhibit 13: Good Samaritan's 2012 pleadings and attachments for 807 Prairie Street,
- Petitioners' Exhibit 14: Good Samaritan's 2013 pleadings and attachments for 807 Prairie Street,
- Petitioners' Exhibit 15: Good Samaritan's 2012 pleadings and attachments for Vincennes Surgery Center,
- Petitioners' Exhibit 16: Good Samaritan's 2012 Form 103 Business Tangible Personal Property Return for Vincennes Surgery Center
- Petitioners' Exhibit 17: Good Samaritan's 2013 pleadings and attachments for Vincennes Surgery Center,
- Petitioners' Exhibit 18: Indiana Exemption Statutes; I.C. § 6-1.1-10-4; § 6-1.1-1-12; §6-1.1-11-9; §6-1.1-10-16,
- Petitioners' Exhibit 19: Articles of Incorporation for the Foundation,
- Petitioners' Exhibit 20: Bylaws for the Foundation,
- Petitioners' Exhibit 21: Tax Exempt Status Determination Letter from IRS for Foundation,
- Petitioners' Exhibit 22: Foundation's 2012 pleadings and attachments for 530 S. 10th Street,
- Petitioners' Exhibit 23: Foundation's 2013 pleadings and attachments for 530 S. 10th Street,
- Petitioners' Exhibit 24: Foundation's 2012 pleadings and attachments for 1018 Bayou Street,
- Petitioners' Exhibit 25: Foundation's 2013 pleadings and attachments for 1018 Bayou Street,
- Petitioners' Exhibit 26: Foundation's 2012 pleadings and attachments for 526 S. 10th Street,
- Petitioners' Exhibit 27: Foundation's 2013 pleadings and attachments for 526 S. 10th Street,
- Petitioners' Exhibit 28: Foundation's 2012 pleadings and attachments for 522 S. 10th Street,
- Petitioners' Exhibit 29: Foundation's 2013 pleadings and attachments for 522 S. 10th Street,
- Petitioners' Exhibit 30: Indiana Exemption Statutes; I.C. § 6-1.1-10-4; § 6-1.1-1-12; §6-1.1-11-9; § 6-1.1-1-10; § 6-1.1-10-16; § 6-1.1-10-18.5,
- Petitioners' Exhibit 31: Articles of Incorporation and Amendments for PSI,
- Petitioners' Exhibit 32: PSI Bylaws,
- Petitioners' Exhibit 33: Tax Exempt Status Determination Letter from IRS for PSI,

Petitioners' Exhibit 34: Sample Physician Employment Agreement for PSI physicians,

Petitioners' Exhibit 35: PSI's Indigent Care Policy,

Petitioners' Exhibit 36: List of PSI physicians from 2011-2013,

Petitioners' Exhibit 37: List of PSI's Physician Medical Directors from 2011-2013,

Petitioners' Exhibit 38: Summary and supporting documents regarding Good Samaritan and PSI practices for 2011-2013(including admissions, revenues, payor mix, charity care, gross charges and gross collections)

Petitioners' Exhibit 39: Curriculum Vitae for Edmund R. Abel, CPA (expert witness),

Petitioners' Exhibit 40: PSI's 2012 pleadings and attachments for Vincennes Orthopedic,

Petitioners' Exhibit 41: PSI's 2012 Form 103 Business Tangible Personal Property Return for Vincennes Orthopedic,

Petitioners' Exhibit 42: PSI's 2013 pleadings and attachments for Vincennes Orthopedic,

Petitioners' Exhibit 43: PSI's 2013 Form 103 Business Tangible Personal Property Return for Vincennes Orthopedic,

Petitioners' Exhibit 44: PSI's 2012 pleadings and attachments for Medical Center of Vincennes (MCV),

Petitioners' Exhibit 45: PSI's 2012 Form 103 Business Tangible Personal Property Return for MCV,

Petitioners' Exhibit 46: PSI's 2013 pleadings and attachments for MCV,

Petitioners' Exhibit 47: PSI's 2013 Form 103 Business Tangible Personal Property Return for MCV,

Petitioners' Exhibit 48: PSI's 2012 pleadings and attachments for Dr. O'Rourke's Office,

Petitioners' Exhibit 49: PSI's 2012 Form 103 Business Tangible Personal Property Return for Dr. O'Rourke's Office,

Petitioners' Exhibit 50: PSI's 2013 pleadings and attachments for Dr. O'Rourke's Office,

Petitioners' Exhibit 51: PSI's 2013 Form 103 Business Tangible Personal Property Return for Dr. O'Rourke's Office,

Petitioners' Exhibit 52: PSI's 2012 pleadings and attachments for Vincennes Podiatry,

Petitioners' Exhibit 53: PSI's 2012 Form 103 Business Tangible Personal Property Return for Vincennes Podiatry,

Petitioners' Exhibit 54: PSI's 2013 pleadings and attachments for Vincennes Podiatry,

Petitioners' Exhibit 55: PSI's 2013 Form 103 Business Tangible Personal Property Return for Vincennes Podiatry,

Petitioners' Exhibit 56: PSI's 2012 pleadings and attachments for Quest Orthopedic,

Petitioners' Exhibit 57: PSI's 2012 Form 103 Business Tangible Personal Property Return for Quest Orthopedic,

Petitioners' Exhibit 58: PSI's 2013 pleadings and attachments for Quest Orthopedic,

Petitioners' Exhibit 59: PSI's 2013 Form 103 Business Tangible Personal Property Return for Quest Orthopedic,

Petitioners' Exhibit 60: PSI's 2013 pleadings and attachments for Vincennes Urology,

Petitioners' Exhibit 61: PSI's 2013 Form 103 Business Tangible Personal Property Return for Vincennes Urology,

Petitioners' Exhibit 62: PSI's 2013 pleadings and attachments for Medical Arts Building,

Petitioners' Exhibit 63: PSI's 2013 Form 103 Business Tangible Personal Property Return for Medical Arts Building,

Petitioners' Exhibit 64: PSI's 2013 pleadings and attachments for Dr. Durfeldt's Office,

Petitioners' Exhibit 65: PSI's 2013 Form 103 Business Tangible Personal Property Return for Dr. Durfeldt's Office,

Petitioners' Exhibit 66: PSI's 2013 pleadings and attachments for MCV Pediatrics

Petitioners' Exhibit 67: PSI's 2013 Form 103 Business Tangible Personal Property Return for MCV Pediatrics,

Petitioners' Exhibit 68: PSI's 2013 pleadings and attachments for Convenient Care Clinic,

Petitioners' Exhibit 69: PSI's 2013 Form 103 Business Tangible Personal Property Return for Convenient Care Clinic,

Petitioners' Exhibit 70: PSI's 2013 pleadings and attachments for Central Billing Office,

Petitioners' Exhibit 71: PSI's 2013 Form 103 Business Tangible Personal Property Return for Central Billing Office,

Petitioners' Exhibit 72: PSI's 2013 pleadings and attachments for Cardiovascular Consultants,

Petitioners' Exhibit 73: PSI's 2013 Form 103 Business Tangible Personal Property Return for Cardiovascular Consultants,

Petitioners' Exhibit 74: Indiana Exemption Statutes; I.C. § 6-1.1-1-10; § 6-1.1-10-16; § 6-1.1-10-18.5,

Petitioners' Exhibit 75A: Board decision in *St. Margaret Mercy Healthcare Centers, Inc. v. Lake County Property Tax Assessment Board of Appeals*, (July 8, 2008),

Petitioners' Exhibit 75B: Board decision in *Goshen Hospital Association, Inc. v. LaGrange County Assessor*, (February 7, 2013).

6. The Respondent offered the following exhibits:

Respondent's Exhibit A: 2010 Financial Statements for Good Samaritan Hospital,
 Respondent's Exhibit B: 2011 Financial Statements for Good Samaritan Hospital,

Respondent's Exhibit C: 2010 Financial Statements for Physician Services, Inc.,
Respondent's Exhibit D: 2011 Financial Statements for Physician Services, Inc.,
Respondent's Exhibit E: 2012 Disbursements Summary for Knox County,
Respondent's Exhibit F: 2013 Disbursements Summary for Knox County.

7. The record also includes the following: (1) all pleadings, briefs, and documents filed in the appeals, including the parties' post hearing briefs; (2) all orders and notices issued by the Board or ALJ; and (3) a digital audio recording of the hearing.

Findings of Fact

8. Because distinct issues arise for the property owned by each entity, we will address the entities separately.

A. Good Samaritan Hospital

9. Good Samaritan is a not-for-profit county hospital licensed under Ind. Code § 16-21 and operated under Ind. Code § 16-22. By statute, Good Samaritan's governing board consists of three Knox County commissioners and four members appointed by a local judge. Good Samaritan is the only hospital in Knox County, and it serves a ten-county area. It competes with eight smaller regional hospitals in the ten-county area that have niche specialties. It also competes with larger hospitals in a two-hour radius, notably in Evansville, Jasper, and Indianapolis. *McLin testimony.*
10. Good Samaritan is in the midst of what it calls the BEACON project. Among other things, the project entails building a new \$110 million tower that will replace Good Samaritan's current inpatient facility. Some of the construction associated with that project had begun in 2011 and 2012. But at the times relevant to these appeals, Good Samaritan operated a main facility housing both inpatient and outpatient services. *McLin testimony.*
11. Good Samaritan accepts and provides care to all patients regardless of their ability to pay. Under its written indigent care policy, Good Samaritan gives discounts to patients

based on federal poverty guidelines and income levels. For 2013, charity care represented approximately 3% of the hospital's total charges. Although not included in the charity-care numbers, Good Samaritan also provides services to Medicare and Medicaid patients at substantially reduced rates. In addition to its charity and federal-program care, Good Samaritan conducts more than 120 community benefit programs per year, with benefits such as free screenings and medications. Those programs serve approximately 118,000 people in the hospital's ten-county service area. Good Samaritan's annual costs for those programs ranged from approximately \$1.29 million to \$1.54 million during 2011 through 2013. *McLin testimony; Pet'rs Exs. 4-7, 38.*

12. Good Samaritan has appealed the denial of an exemption for its gravel parking lot at 813, 811, and 807 Prairie Street and for personal property at the Vincennes Surgery Center ("VSC"). *McLin testimony; Pet'rs Exs. 9-15, 17.*
13. Good Samaritan acquired the parking lot to handle parking for employees and construction workers. Some existing parking lots were removed as part of the BEACON project, and Good Samaritan wanted to reserve the remaining parking closest to the hospital for patients. *McLin testimony; Pet'rs Ex 8.*
14. VSC is an ambulatory surgery center that Good Samaritan acquired in 2010. Good Samaritan owned the personal property at VSC but leased the real estate. Good Samaritan used the VSC assets in the same way it used assets located within the hospital, and its indigent care policy applied to VSC. *McLin testimony; see also, Pet'rs Ex. 17.*

B. Good Samaritan Physician Services, Inc.

15. PSI is a wholly owned not-for-profit subsidiary of Good Samaritan that is exempt from federal taxation under section 501(c)(3) of the Internal Revenue Code. It was created to employ and manage doctors for Good Samaritan. Good Samaritan's CEO, CFO, and chairman comprise PSI's board of directors. *McLin testimony.*

16. Good Samaritan faced an aging staff of doctors, almost all of whom were in private practice. Many did not focus on succession planning, which led to a net loss of doctors when they retired. For various reasons, including Knox County's relatively rural location and the lack of nearby residency programs for specialists, Good Samaritan experienced increasing difficulty recruiting new doctors. Good Samaritan believed that attracting new doctors was essential to the hospital's mission of continuing to provide a full range of quality healthcare services to the population it serves. Without those doctors, particularly the specialists, Good Samaritan would only be able to offer watered-down services and would lose inpatients to other regional hospitals. *McLin testimony; Abel testimony.*

17. Given the healthcare industry's changing landscape, including the increase in Medicare and Medicaid patients and the accompanying requirements for transitioning to electronic recordkeeping, doctors have sought to avoid the administrative burdens of operating their own practices and have become increasingly willing to enter into employment relationships with hospitals. Having a great working relationship or financial integration with its medical staff is therefore necessary for a hospital like Good Samaritan to meet the needs of the population it serves. Good Samaritan also wanted to align its medical staff with its mission of charity and growth. *McLin testimony; Abel testimony.*

18. For those reasons, Good Samaritan's governing board implemented a strategic plan to acquire the practices of doctors on its existing medical staff and to aggressively recruit new doctors to Knox County. Using PSI to manage and directly employ those doctors was a key part of that plan. The doctors' employment contracts with PSI require them to refer all patients to Good Samaritan, unless the patient's preference, insurance, or medical needs dictate otherwise. The contracts also require the doctors to accept Medicare and Medicaid patients and to comply with PSI's indigent-care policy, which is the same as Good Samaritan's policy.

19. PSI pays doctors a base salary, and it determines incentive bonuses based on the volume of patient care rather than on revenue the doctors generate. Charity care represents approximately 1.5% of PSI doctors’ total charges. PSI—not the doctors—realizes the loss from the doctors’ charity care and from the Medicare and Medicaid patients they treat. PSI, in turn, operates at a loss, which Good Samaritan absorbs. *McLin testimony; Pet’rs Exs. 31-34, 38.*
20. PSI doctors treat inpatients at Good Samaritan. Several fill leadership positions at Good Samaritan, such as sitting on the medical executive committee, and they perform significant quality initiatives for Good Samaritan’s inpatient services. Good Samaritan receives a substantial portion of its revenue from inpatients and outpatients referred by PSI doctors, although Good Samaritan’s CEO, Rob McLin, admitted that some of those doctors would have referred patients to Good Samaritan even if they had not been PSI employees. The table below summarizes key aspects of the relationship between PSI doctors and Good Samaritan’s inpatient operations:

Year	PSI-generated inpatient charges	Total inpatient charges	Percentage (rounded)	PSI inpatient referrals	Total inpatient admissions	Percentage (rounded)
2011	\$102,259,657	\$151,018,515	68%	4,552	6,723	68%
2012	\$109,091,494	\$150,943,218	72%	5,435	7,520	72%
2013	\$131,157,853	\$177,794,013	74%	5,670	7,571	75%

Good Samaritan’s Chief Executive Officer, Rob McLin, explained that without PSI doctors generating inpatient revenue, the hospital would become merely an outpatient clinic. *See McLin testimony; Pet’rs Ex. 38.*

21. The property for which PSI seeks an exemption includes personal property located at the following doctors’ offices:
- 1019 Bayou Street (Vincennes Orthopedic)
 - 406 N. 1st Street (Medical Center of Vincennes)
 - 328 N. 2nd Street (Dr. O’Rourke’s office)
 - 202 Broadway (Vincennes Podiatry)

- 2121 Willow Street (Quest Orthopedic)
- 200 S. 6th Street (Urology Specialists)
- 700 Willow Street (Medical Arts Building)
- 621 S. 7th Street (Dr. Durfeldt's Office)
- 528 N. 1st Street (MCV Pediatrics)
- 514 S. 9th Street (Cardiovascular Consultants)

It also includes personal property at PSI's central billing office (305 S. 5th Street) and its Convenient Care Clinic (1813 Willow Street). PSI uses the central billing office to bill for all services that its doctors perform. It uses the Convenient Care Clinic to offer healthcare access on nights and weekends when doctors' offices are typically closed.

McLin testimony; Pet Ex. 40-73.

C. Good Samaritan Hospital Foundation

22. The Foundation was formed in 1998 to act as Good Samaritan's fundraising arm. Like PSI, the Foundation is exempt from federal taxes under section 501(c)(3) of the Internal Revenue Code. All money raised by the Foundation goes to improve healthcare in the communities Good Samaritan serves. *McLin testimony; Pet's Exs. 19-21.*
23. The Foundation has appealed the denial of an exemption for a storage building located at 522, 536, and 530 S. 10th Street, and 1018 Bayou Street in Vincennes. A doctor that had been associated with Good Samaritan donated the lots to the Foundation in 2005. Good Samaritan lost some of its storage capacity in connection with the BEACON project, so Good Samaritan built a new storage building on the donated lots. *McLin testimony; Pet's Ex. 8.*
24. Good Samaritan owns all of the items stored in the building. Those items fall into three general categories, each occupying about one-third of the building: (1) business, administrative, and patient records; (2) engineering and maintenance equipment and supplies; and (3) property from Good Samaritan's purchasing department, such as retired equipment and furnishings that are donated to local governmental and non-profit organizations and churches. *McLin testimony.*

Conclusions of Law

25. Although tangible property in Indiana is generally taxable, the legislature has exercised its constitutional power to exempt certain types of property. *Indianapolis Osteopathic Hospital, Inc. v. Dep't of Local Gov't Fin.*, 818 N.E.2d 1009, 1014 (Ind. Tax Ct. 2004)(citing I.C. § 6-1.1-2-1). A taxpayer bears the burden of proving that its property qualifies for exemption. *Id.* And tax exemption statutes are strictly construed against the person claiming the exemption. *See Trinity Episcopal Church v. State Bd. of Tax Comm'rs*, 694 N.E. 2d 816, 818 (Ind. Tax Ct. 1998).

A. Good Samaritan Hospital

26. Good Samaritan first argues that its property should be exempt under Ind. Code § 6-1.1-10-4, which reads: “Except as otherwise provided by law, the property owned by a political subdivision of this state is exempt from property taxation.” I.C. § 6-1.1-10-4. For purposes of the property tax code, the legislature has defined a political subdivision as “a county, township, city, town, *separate municipal corporation*, special taxing district, or school corporation.” I.C. § 6-1.1-1-12 (emphasis added).
27. The Assessor counters that Good Samaritan is not a political subdivision within the meaning of Ind. Code § 6-1.1-10-4 because that section refers to political subdivisions of “this state” rather than to subdivisions of inferior units, such as counties. We disagree. Good Samaritan is either an arm of Knox County or a separate municipal corporation, both of which meet the definition of a political subdivision. Although Ind. Code § 6-1.1-1-12 does not define “municipal corporation,” Ind. Code § 36-1-2-10 provides the following definition for purposes of Title 36—the title of the code that addresses the organization and powers of local government:

“Municipal corporation” means unit, school corporation, library district, local housing authority, fire protection district, public transportation corporation, local building authority, *local hospital authority* or corporation, local airport authority, special service district, *or other*

separate local governmental entity that may sue and be sued. The term does not include special taxing district

I.C. 36-1-2-10 (emphasis added). By statute, Good Samaritan’s board of governors is a “body corporate and politic” that may possess the hospital’s real and personal property in the hospital’s name and sue and be sued in the board’s name. I.C. § 6-22-3-4.

28. The Assessor alternatively argues that even if Good Samaritan qualifies as a political subdivision, it must still prove that it owned, occupied, and used the property in question for an exempt purpose. For support, the Assessor cites to Ind. Code § 6-1.1-10-16(b), which provides: “A building is exempt from property taxation if it is owned, occupied, and used by a town, city, township, or county for educational, literary, scientific, fraternal, or charitable purposes.”² The Assessor argues that Ind. Code § 6-1.1-10-4 and I.C. § 6-1.1-10-16(b) must be read together and that interpreting the first section to provide an exemption based simply on ownership without additionally having to prove a specified exempt purpose would render the second section meaningless.
29. Indiana Code § 6-1.1-10-4 is clear—unless otherwise provided by law, property owned by a political subdivision is exempt from taxation. Indiana Code § 6-1.1-10-16(b) does not purport to create an exception to Ind. Code § 6-1.1-10-4. To the contrary, Ind. Code § 6-1.1-10-16(b) is phrased as a positive grant of exemption, not as an exclusion. We therefore need not speculate whether property that is not exempt under Ind. Code § 6-1.1-10-4 might nonetheless be exempt under Ind. Code § 6-1.1-10-16(b).
30. We also note that the Assessor’s interpretation would arguably render a lot of government-owned property—including property used by the Assessor—taxable. At a minimum, government officials would need to affirmatively show that they use the property for one of the purposes specified by Ind. Code § 6-1.1-10-16(b). But that

² Although the property at issue consists of land and personal property, two other subsections provide exemptions for those types of property that tie back into Ind. Code § 6-1.1-10-16(b). *See* I.C. § 6-1.1-10-16(c)(2) (exempting a parking lot that serves a building described in Ind. Code § 6-1.1-10-16(b)); *see also*, I.C. § 6-1.1-10-16(e) (exempting personal property if it is owned and used in a manner that would make it exempt under Ind. Code § 6-1.1-10-16(b) if it were a building).

section does not cover property used for municipal purposes—a constitutionally permissible basis for exemption that undoubtedly applies to much of the property owned by political subdivisions and that Ind. Code § 6-1.1-10-4 implicitly recognizes. *See* Ind. Cost. Art. 10 § 1(c)(1) (allowing the General Assembly to exempt “property being used for *municipal*, educational, literary, scientific, religious, or charitable purposes.”) (emphasis added).

31. We therefore find that Good Samaritan’s parking lot and the personal property located at VSC are exempt from taxation under Ind. Code § 6-1.1-10-4. Given that finding, we need not address Good Samaritan’s claim that the property also qualifies for a charitable-purposes exemption.

B. Good Samaritan Physician Services Inc.

32. PSI does not claim that it is a political subdivision. It instead claims that its property should be exempt under Ind. Code § 6-1.1-10-18.5 because it is used in the operation of a hospital.
33. Indiana Code § 6-1.1-10-18.5 provides:

(a) This section does not exempt from property tax an office or a practice of a physician or group of physicians that is owned by a hospital licensed under IC 16-21-2 or other property that is not substantially related to or supportive of the inpatient facility of the hospital unless the office, practice, or other property:

- (1) provides or supports the provision of charity care (as defined in IC 16-18-2-52.5), including funds or other financial support for health care services for individuals who are indigent (as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or
- (2) provides or supports the provision of community benefits (as defined in IC 16-21-9-1), including research, education, or government sponsored indigent health care (as defined in IC 16-21-9-2).

However, participation in the Medicaid or Medicare program, alone, does not entitle an office, a practice, or other property described in this subsection to an exemption under this section.

- (b) Tangible property is exempt from property taxation if it is:
 - (1) owned by an Indiana nonprofit corporation; and

(2) used by that corporation in the operation of a hospital licensed under IC 16-21....

I.C. § 6-1.1-10-18.5.

34. PSI is a not-for-profit corporation that functions as a large medical practice. Its doctors staff Good Samaritan and refer patients to the hospital. Although PSI did not describe its personal property in detail, it appears the property meets the general requirements of Ind. Code § 6-1.1-10-18.5(b) because PSI, as a medical practice, is involved in the operation of Good Samaritan—a hospital licensed under Ind. Code § 16-21. The parties, however, dispute whether PSI and its personal property were “substantially related to or supportive of” Good Samaritan’s inpatient facility, or alternatively, whether PSI provides, or supports the provision of charity care or community benefits as required by subsection (a).
35. In *Methodist Hospitals, Inc. v. Lake County Prop. Tax Assessment Bd. of Appeals*, 862 N.E.2d 335, 337 (Ind. Tax Ct. 2007), the Indiana Tax Court addressed identical language from Ind. Code § 6-1.1-10-16(h). In that case, Methodist, the owner of two acute-care hospitals, appealed from the denial of an exemption for real and personal property at two Primary Care Medical Associates offices (“PCAs”) that Methodist likewise owned and operated. *Methodist Hospitals, Inc. v. Lake County Prop. Tax Assessment Bd. of Appeals*, 862 N.E.2d 335, 336 (Ind. Tax Ct. 2007). While the statute did not define either “hospital” or “inpatient facility,” the Court reasoned that an inpatient facility is not an entire hospital, but rather “that portion of a hospital where admitted patients are provided overnight accommodations, meals, and medical treatment.” *Id.* at 339. The Court further held that property is “substantially related to or supportive of” a hospital’s inpatient facility if it “provides considerable aid to, or promotes to a considerable degree, the interests of” the inpatient facility. *Id.*
36. Applying those definitions to the facts before it, the Court rejected Methodist’s claims. Evidence that Methodist employed the people who worked at the PCAs, billed PCA

patients, and did banking and other administrative functions for the PCAs, merely showed that Methodist gave the PCAs administrative support; it did not show the relationship between the PCAs and Methodist's *inpatient* facility. *Id.* Evidence that the PCAs supported Methodist's overall continuum of care by providing medical services to people over the entire region and by admitting PCA patients to Methodist's hospitals likewise did not suffice. The Court declined to "presume that a substantial or supportive network arises merely because two entities are engaged in the same type of business activity." *Id.* Finally, the fact that PCA doctors cared for Methodist's inpatients showed *some* relationship to the inpatient facility. Nonetheless, because the doctors also provided care, substantially, to the public, the record did not show that the PCAs were substantially supportive of Methodist's inpatient facilities. *Id.* at 340. Based on the totality of its evidence, Methodist failed to make a prima facie case for exemption. *Id.*

37. Unlike Methodist, PSI offered detailed evidence that it provides "considerable aid to," and "promotes to a considerable degree, the interests of" Good Samaritan's inpatient facility. PSI exists largely to support Good Samaritan's hospital and to align doctors with its mission of providing charity care. They treat Good Samaritan's inpatients, serve in leadership roles at the hospital that are directed specifically at inpatient services, and generate substantial inpatient revenue. And they must refer their patients to Good Samaritan absent contractually specified circumstances. In that vein, PSI doctors accounted for 72% and 75% of Good Samaritan's total inpatient admissions in 2012 and 2013. They similarly led to 72% and 74% of Good Samaritan's total inpatient revenue for those same years. Although at least some of those doctors would still have referred patients to Good Samaritan even if they had not been employed by PSI, without PSI aggressively recruiting new doctors and buying existing practices, Good Samaritan would have had to offer significantly watered-down inpatient services. Thus, PSI and Good Samaritan do not merely engage in the same type of business. Instead, PSI and Good Samaritan's inpatient facility form precisely the type of supportive network that was lacking in *Methodist Hospitals*.
38. We therefore find that the personal property at each PSI location is 100% exempt under

Ind. Code § 6-1.1-10-18.5.³

C. Good Samaritan Hospital Foundation

39. Like PSI, the Foundation does not claim that it is a political subdivision and instead claims that its property is exempt under Ind. Code § 6-1.1-10-18.5(b).
40. It is uncontested that the Foundation is an Indiana non-profit corporation and that it uses the building in question in the operation of Good Samaritan. Similarly, given the nature of the items the building houses, the building provides considerable aid to, and promotes to a considerable degree, the operation of Good Samaritan's inpatient facility. *See Methodist Hospitals*, 862 N.E.2d at 339. Indeed, the Assessor does not explicitly argue that the property was insufficiently related to or supportive of Good Samaritan's inpatient facility to qualify for exemption, focusing instead on whether the Foundation is a political subdivision or qualifies for a charitable-purposes exemption.⁴ *See Assessor's Brief in Support of Taxation at 9-10, 12*. We therefore find that the Foundation's property is 100% exempt under Ind. Code § 6-1.1-10-18.5.⁵

Summary of Final Determination

41. The Board finds that all of the property under appeal is 100% exempt from taxation for 2012 and 2013.

³ Given that conclusion, we need not address PSI's claim that provided charity care or community benefits under Ind. Code § 6-1.1-10-18.5(a) or its claim for a charitable-purposes exemption under Ind. Code § 16-1.1-10-16(e).

⁴ Interestingly, in addressing whether the Foundation qualified for a charitable-purposes exemption, the Assessor ignored the fact that the Foundation used one-third of the building to store property for eventual donation to governmental and other not-for-profit entities and churches.

⁵ Given that finding, we need not address the Foundation's claim for a charitable-purposes exemption.

The Final Determination of the above captioned matter is issued this day by the Indiana Board of Tax Review on the date written above.

Chairman, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

- APPEAL RIGHTS -

You may petition for judicial review of this final determination under the provisions of Indiana Code § 6-1.1-15-5 and the Indiana Tax Court's rules. To initiate a proceeding for judicial review you must take the action required not later than forty-five (45) days after the date of this notice. The Indiana Code is available on the Internet at

<<http://www.in.gov/legislative/ic/code>>. The Indiana Tax Court's rules are available at

<<http://www.in.gov/judiciary/rules/tax/index.html>>.

Attachment

KNOX COUNTY HOSPITAL D/B/A GOOD SAMARITAN HOSPITAL

	<u>Parcel No.</u>	<u>Petition No.</u>
1)	42-12-28-205-008.000-022	42-022-12-2-8-00002 42-022-13-2-8-00002
2)	42-12-28-205-018.000-022	42-022-12-2-8-00003 42-022-13-2-8-00003
3)	42-12-28-205-015.000-022	42-022-12-2-8-00001 42-022-13-2-8-00001
4)	42-02-29-000-000.001-126	42-126-12-2-8-00001 42-126-13-2-8-00001

GOOD SAMARITAN HOSPITAL FOUNDATION, INC.

	<u>Parcel No.</u>	<u>Petition No.</u>
1)	42-12-28-206-058.000-022	42-022-12-2-8-00006 42-022-13-2-8-00006
2)	42-12-28-206-060.000-022	42-022-12-2-8-00007 42-022-13-2-8-00005
3)	42-12-28-206-059.000-022	42-022-12-2-8-00004 42-022-13-2-8-00007
4)	42-12-28-206-094.000-022	42-022-12-2-8-00005 42-022-13-2-8-00004

GOOD SAMARITAN HOSPITAL PHYSICIAN SERVICES INC.

	<u>Parcel No.</u>	<u>Petition No.</u>
1)	42-02-29-000-000.001-125	42-125-12-2-8-00001 42-125-13-2-8-00001

2)	42-02-29-000-000.001-121 42-02-29-030-000.001-121	42-121-12-2-8-00001 42-121-13-2-8-00001
3)	42-02-29-000-000.001-123	42-123-12-2-8-00001 42-123-13-2-8-00001
4)	42-02-29-000-000.001-131	42-131-12-2-8-00001 42-131-13-2-8-00001
5)	42-02-29-000-000.001-124	42-124-12-2-8-00001A 42-124-13-2-8-00001
6)	42-02-29-000-000.001-218	42-219-13-2-8-00001
7)	42-02-29-000-000.001-129	42-129-13-2-8-00001
8)	42-02-29-000-000.001-130	42-130-13-2-8-00001
9)	42-02-29-000-000.001-122	42-122-13-2-8-00001
10)	42-02-29-000-000.001-127	42-127-13-2-8-00001
11)	42-02-29-000-000.001-119	42-119-13-2-8-00001
12)	42-02-29-030-000.002-002	42-002-13-2-8-00001