



## Alerts

### Illinois Supreme Court Upholds Constitutionality of Hospital Property Tax Exemption Law

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*Health Care Alert*

In the closely watched *Oswald v. Beard* case decided last Thursday, the Illinois Supreme Court unanimously upheld the constitutionality of a [2012 law](#) which grants a hospital charitable property tax exemption if the value of specified services or activities of the hospital equals or exceeds the hospital's estimated property tax liability for the year for which the exemption is sought. The Court rejected the Plaintiff's claim that because the law did not include the Illinois constitutional requirement that the hospital must demonstrate that the property was "exclusively used" for charitable purposes, the law was unconstitutional on its face.

The 2012 law was enacted in response to the Illinois Supreme Court plurality decision in *Provena Covenant Medical Center v. Department of Revenue* that Provena did not satisfy the Illinois constitutional requirement that its property was "exclusively used" for charitable purposes, because the "number of uninsured patients receiving free or discounted care and the dollar value of the care they received" were *de minimus*. The Court in *Oswald* concluded that although the 2012 law did not specifically require the hospital satisfy the constitutional "exclusive use" requirement, "the legislature intended to comply with this constitutional limitation."

Illinois hospitals can now confidently rely upon the 2012 law in seeking and maintaining property tax exemptions. However, the Illinois Supreme Court has made clear that property tax exemptions are to be granted under the 2012 law only if the hospital property is "exclusively used" for charitable purposes, and the value of specified services or activities of the hospital equals or exceeds the hospital's estimated property tax liability for the applicable tax year.

Unfortunately, *Oswald* does not clarify the *Provena* ruling, leaving uncertainty of what standard applies to satisfy the "charitable use" test. Is the analysis based on the number of uninsured patients receiving free or discounted care and the value of that care? How will the Illinois Department of Revenue decide this critical question in its review of applications?

We will continue to monitor this and report as new developments arise.

*For more information, please contact Stephen Moore.*

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