

With Continued Uncertainty Regarding Exemptions, Now Is the Time to Manage Property Taxes Proactively

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Health care providers, especially larger integrated delivery systems, are familiar with IRS scrutiny regarding the tax-exempt status of health care providers, but many are not aware that Ohio courts and taxing authorities have taken an even narrower approach. For example, late last month, the Supreme Court of Ohio issued its decision in *Dialysis Clinic, Inc. v. Levin*, Slip Opinion No. 2010-Ohio-5071, in which a 501(c)(3) dialysis organization was denied a property tax exemption because although it regularly wrote off bad debts from patients who were unable to pay, the clinic's written indigency policy reserved the right to refuse to admit and treat a patient who has no ability to pay. These continuing developments, combined with the challenging state of the Ohio real estate market, make now an optimal time for health care providers to manage property tax obligations proactively.

There are several potential benefits from proactively controlling property tax liability. Real estate taxes frequently are the largest non-productive expense incurred by property owners, and proactive

management of this expense could lead to increased profitability. For landlords, reduction of real estate taxes also helps to decrease occupancy costs and could assist in securing or retaining tenants, therefore leading to increased valuation of income-producing properties. Finally, any improvement in operating results also helps to better position a property for re-financing of existing debt.

For health care organizations, we generally recommend a three-pronged approach for managing real property taxes. First, health care organizations should attempt to maximize the statutory exemptions available as a matter of right under various provisions in the Ohio Revised Code. Second, tax incentives such as community reinvestment area, enterprise zone and tax increment financing exemptions should be considered. Third, health care organizations should consider challenging tax assessments either formally through filing a complaint with the applicable board of revision, or informally through discussions with the applicable county auditor's office.

First half 2010 tax bills will be mailed shortly. Now is the time to start preparing to review those tax assessments to make sure that for each property you are paying your fair share, and only your fair share, of the property tax burden.

Vorys has significant experience in analyzing real property tax

assessments and securing real property tax savings for property owners, including health care organizations. In addition, our health care and state and local tax practitioners are well-equipped to address specific challenges facing health care organizations, including exemption issues and incentives negotiations.

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