

Bond Case Briefs

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Chagrin Realty, Inc. v. Testa

Supreme Court of Ohio - November 30, 2018 - N.E.3d - 2018 WL 6332544 - 2018 -Ohio-4751

Nonprofit corporation appealed tax commissioner's denial of its application for real-property-tax exemption relating to property it leased to a nonprofit tenant, which was also the sole member of a foundation that was the sole member of the nonprofit corporation.

The Board of Tax Appeals rejected corporation's contention, and, nearly three years later, reissued its decision upon corporation's request. Corporation appealed.

The Supreme Court of Ohio held that:

- Property did not qualify as property used for charitable purposes;
- Corporation could not establish its tax-exempt charitable status by relying on the activities of its nonprofit tenant
- Corporation's core activity was to own and lease subject property; and
- Fact that nonprofit corporation was exempt from federal income tax did not establish its charitable-use tax exempt status under Ohio law.

Property owned by nonprofit corporation and rented to nonprofit tenant, which was also the sole member of a foundation that was the sole member of the nonprofit corporation, did not qualify as property used for charitable purposes, as basis for tax exemption; owner's sole use of the property was leasing it, and leasing was not a use that was exclusively for charitable purposes.

Nonprofit corporation that owned property could not establish its tax-exempt charitable status by relying on the activities of its nonprofit tenant, which was also the sole member of a foundation that was the sole member of the nonprofit corporation; despite allegation that corporation was organized for the sole purpose of holding title to property and collecting rental income, corporation was itself a separate legal entity and could not rely on vicarious exemption to establish its charitable status.

Nonprofit corporation's core activity was to own and lease subject property, and therefore, corporation did not qualify for tax-exempt charitable status, despite fact that its nonprofit tenant was the sole member of a foundation that was the sole member of the nonprofit corporation; fact that proceeds of income-producing lease inured to the benefit of foundation did not support claimed charitable status, and corporation engaged in ongoing business activity of leasing real property, an activity that generates substantial revenue.

Fact that nonprofit corporation was exempt from federal income tax as an entity organized for the exclusive purpose of holding title and collecting rent from an exempt organization did not establish its charitable-use tax exempt status under Ohio law; federal tax laws provided for a charitable-use exemption on a less restrictive basis than Ohio law.

