

Bond Case Briefs

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TAX - NEW JERSEY

Borough of Paramus v. County of Bergen

Tax Court of New Jersey - February 22, 2013 - 2013 WL 706315

Tax court holds that leasing tax-exempt hospital property to a third-party on a for-profit basis does not affect the exempt status of the property since the hospital continues to serve the public purpose set forth by the tax statute.

Property at issue is a public hospital exempt from local property taxes based on a provision of the New Jersey code which provides an exemption for county owned property put to public use. In 1997 the county elected to transition the management of the hospital to a for-profit third party health care management firm.

The property continued to be designated as exempt on the tax rolls. In 2001, the manager entered into contracts to lease space within the hospital to service providers. The borough assessor placed a partial assessment on the property in 2005 meant to tax those spaces within the hospital buildings leased by the manager to for-profit service providers. The Borough filed a tax appeal in 2008, and for later years, challenging the exempt status of the hospital and seeking to increase both the non-taxed assessment on the exempt portion of the property and the taxed assessment on the hospital's leased spaces.

The tax court found that the act of leasing the property to a third-party on a for-profit basis does not affect the exempt status of the property since the hospital continues to serve the public purpose set forth by the statute. Because the exemption statutes at issue require that the property be used for a public purpose, the tax exemption code provision has no application to these facts. In addition, the nature and use of the leased spaces remain to be determined at trial, the outcome of which will either render the property wholly exempt or wholly taxable.