



## **In Support of Hospital Property Tax Exemption**

The Illinois Department of Revenue's recent decision to keep Provena Covenant Medical Center on the property tax roll undermines the longtime partnership between government and not-for-profit hospitals. By relieving not-for-profit hospitals of the financial burden of paying taxes, the government supports the use of hospital resources for the greater good of the whole community. Not-for-profit hospitals plow all of their resources, after expenses, back into hospital operations: to constantly improve the quality of care, to fund new technologies, and to increase access to care by building in underserved areas. Without the government's support in granting the exemption from property tax, hospital resources could be diverted from these other vital activities.

The Illinois Supreme Court has held that **the relief of suffering and disease is a charitable purpose**. The Illinois Office of Attorney General's regulations define "charitable purposes" as "funds which are to be applied for the benefit of an indefinite number of people to provide them with...relief from poverty, sickness or disease..."

The Illinois Constitution states that a property tax exemption may be granted to organizations that use the property "exclusively for...*charitable purposes*." The word "exclusively" has been interpreted by the Illinois Supreme Court to mean primarily, and not an incidental or secondary use.

In the decision, the Department of Revenue incorrectly applied the law for property tax exemption by stating that the hospital "had to prove that its primary purpose was charitable care." **Charitable care is providing free and discounted care to the poor and uninsured, and that is just one of the many ways not-for-profit hospitals carry out their charitable purpose.** Not-for-profit hospitals demonstrate their charitable purpose not only through the provision of health care to all persons who need it, whether they be rich or poor, but by being organized under Section 501(c)(3) of the Internal Revenue Code, which makes the hospital an asset belonging to the entire community, and not to individual owners or shareholders.

Basing tax exemption only on the dollar value of the free and discounted care a hospital provides to the poor and uninsured ignores all the other benefits hospitals bring to the entire community. For example, not-for-profit hospitals provide much needed burn, trauma, and neonatal services, which, on average, lose money. Hospitals help the government by treating Medicare and Medicaid patients for less than the cost of that care. They help train the next generation of physicians and nurses at great expense. They supply the resources and expertise for breakthrough medical research and innovation. **Just one half of the not-for-profit hospitals** in Illinois provided over **\$3.6 billion** in community benefits in one year alone, as reported on the community benefits reports filed with the Office of Attorney General. And many other intangible benefits, such as having an emergency room open all day and night, cannot be measured in dollar amounts. Measuring a not-for-hospital's worthiness of its tax exemption based on one aspect of its charitable activities ignores the wide public value of hospitals, devalues the community's investment in the hospital, and is contrary to constitutional principles.