

ATTORNEYS FOR PETITIONER:
JEFFREY T. BENNETT
BRADLEY D. HASLER
BINGHAM McHALE LLP
Indianapolis, IN

ATTORNEYS FOR RESPONDENT:
STEVE CARTER
ATTORNEY GENERAL OF INDIANA
JOEL SCHIFF
DEPUTY ATTORNEY GENERAL
Indianapolis, IN

IN THE INDIANA TAX COURT

ROLLER SKATING RINK OPERATORS)
ASSOCIATION d/b/a ROLLER SKATING)
ASSOCIATION,)
)
Petitioner,)
)
v.) Cause No. 49T10-0108-TA-76
)
DEPARTMENT OF LOCAL)
GOVERNMENT FINANCE, ¹)
)
Respondent.)
)

ON APPEAL FROM A FINAL DETERMINATION OF
THE STATE BOARD OF TAX COMMISSIONERS

NOT FOR PUBLICATION
December 6, 2005

¹ The State Board of Tax Commissioners (State Board) was originally the Respondent in this appeal. However, the legislature abolished the State Board as of December 31, 2001. 2001 Ind. Acts 198 § 119(b)(2). Effective January 1, 2002, the legislature created the Department of Local Government Finance (DLGF), see Indiana Code § 6-1.1-30-1.1 (West Supp. 2005-2006)(eff. 1-1-02); 2001 Ind. Acts 198 § 66, and the Indiana Board of Tax Review (Indiana Board). IND. CODE ANN. § 6-1.5-1-3 (West Supp. 2005-2006)(eff. 1-1-02); 2001 Ind. Acts 198 § 95. Pursuant to Indiana Code § 6-1.5-5-8, the DLGF is substituted for the State Board in appeals from final determinations of the State Board that were issued before January 1, 2002. IND. CODE ANN. § 6-1.5-5-8 (West Supp. 2005-2006)(eff. 1-1-02); 2001 Ind. Acts 198 § 95. Nevertheless, the law in effect prior to January 1, 2002 applies to these appeals. A.I.C. § 6-1.5-5-8. See also 2001 Ind. Acts 198 § 117. Although the DLGF has been substituted as the Respondent, this Court will still reference the State Board throughout this opinion.

FISHER, J.

Roller Skating Rink Operators Association d/b/a Roller Skating Association (RSA) appeals the final determination of the State Board of Tax Commissioners (State Board) denying it a property tax exemption for the 2000 assessment year (year at issue). The issue on appeal is whether RSA's property qualifies for an educational purposes property tax exemption. For the following reasons, the Court now REVERSES the State Board's final determination.

FACTS AND PROCEDURAL HISTORY

RSA is a non-profit corporation authorized to conduct business in Indiana. RSA provides programs that educate roller skating rink owners and operators on business and recreational management topics. RSA owns a general office and storage building as well as personal property (subject property) in Marion County, Indiana.

For the year at issue, RSA filed two Forms 136, Application for Property Tax Exemption (Forms 136) with the Marion County Property Tax Assessment Board of Appeals (PTABOA), seeking a 100% educational property tax exemption for the subject property. On its Forms 136, RSA stated that its purpose was to "inform, educate and foster the professional development of [its] members (roller skating rink owners and coaches)." (Cert. Admin. R. at 17, 70.) RSA also stated that its offices were used to develop educational programs and materials for its members, and that the storage building was used to store the materials.

The PTABOA denied the applications and found that RSA's land, improvements and personal property were 100% taxable. RSA subsequently petitioned the State Board for review of the PTABOA's determination. On November 21, 2000, the State

Board held a hearing on RSA's petitions. The State Board issued its final determination on June 26, 2001, upholding the PTABOA's decision.

On August 10, 2001, RSA filed an original tax appeal. The Court heard the parties' oral arguments on April 11, 2003. Additional facts will be supplied as necessary.

ANALYSIS AND OPINION

Standard of Review

This Court gives great deference to the final determinations of the State Board when it acts within the scope of its authority. *Hamstra Builders, Inc. v. Dep't of Local Gov't Fin.*, 783 N.E.2d 387, 390 (Ind. Tax Ct. 2003). Thus, this Court will reverse a final determination of the State Board only when its findings are unsupported by substantial evidence, arbitrary, capricious, constitute an abuse of discretion, or exceed statutory authority. *Id.*

Discussion

In Indiana, all tangible property is subject to taxation. See IND. CODE ANN. § 6-1.1-2-1 (West 2000). Nevertheless, Article 10, § 1 of the Indiana Constitution provides that the legislature may exempt certain categories of property. See IND. CONST. art. X, § 1(a). Acting pursuant to that grant of authority, the legislature enacted Indiana Code § 6-1.1-10-16(a), which provides that “[a]ll or part of a building is exempt from property taxation if it is owned, occupied, and used . . . for educational, literary, scientific, religious, or charitable purposes.” See IND. CODE ANN. § 6-1.1-10-16(a) (West 2000). This exemption also generally extends to the land on which the exempt building is

situated, as well as personal property that is contained therein. See A.I.C. § 6-1.1-10-16(c), (e).

When seeking an educational purposes exemption, the taxpayer must prove² that the predominant use of its property is educational. *Trinity Sch. of Natural Health, Inc. v. Kosciusko County Prop. Tax Assessment Bd. of Appeals*, 799 N.E.2d 1234, 1236 (Ind. Tax Ct. 2003) (footnote added). For example, taxpayers who predominantly use their property to provide instruction and training similar to that provided by tax-supported institutions of higher learning and public schools will qualify for the exemption because they provide a benefit to the public by relieving the state of its obligation to provide the instruction. See *Nat'l Ass'n of Miniature Enthusiasts v. State Bd. of Tax Comm'rs*, 671 N.E.2d 218, 222 (Ind. Tax Ct. 1996) (NAME). The exemption will be denied, however, when educational training is merely incidental to recreational activities. *Id.*

RSA argues that it is entitled to an exemption because it utilizes its property for the purpose of providing business education training and instruction to its members - roller skating rink owners and operators. Specifically, RSA annually conducts Roller Skating University (RSU), a program consisting of a thirteen-module curriculum designed to provide education to business owners on professional development. (See Cert. Admin. R. at 166, 196.) The RSU curriculum consists of topics such as hospitality, merchandising, customer service, personnel management, event planning and

² Because exemption statutes are strictly construed against the taxpayer, the taxpayer bears the burden of proving that it is entitled to the exemption it seeks. See *New Castle Lodge # 147, Loyal Order of Moose, Inc. v. State Bd. of Tax Comm'rs*, 733 N.E.2d 36, 38 (Ind. Tax Ct. 2000), aff'd, 765 N.E.2d 1257 (Ind. 2002). Nevertheless, the Court will not construe an exemption statute so narrowly that the legislature's purpose in enacting it is defeated or frustrated. *Id.*

promotion, contracts and negotiations, risk management and legal issues, budgeting and finance, and advertising. RSA generally provides two of the thirteen RSU modules at its annual convention held at various locations throughout the United States. In addition to RSU, RSA conducts less formal seminars at its convention on topics such as estate planning, marketing, cultural diversity, facility maintenance and security. (Cert. Admin. R. at 167.) RSA also provides clinics for rink operators and coaches during a fall trade show. (Cert. Admin. R. at 167.) Ms. Robin Brown, RSA's Executive Director, testified that the recreational management and business education offered through these programs is equivalent to that of Indiana University or Purdue University. (See Cert. Admin. R. at 195.)

In its final determination, however, the State Board determined that RSA did not prove that it provided education equivalent to that of tax-supported schools. (Cert. Admin. R. at 122.) In addition, the State Board explained that RSA did not present evidence showing that its instruction or training was actually conducted at its Indianapolis property. (Cert. Admin. R. at 122.) In turn, the State Board concluded that because the evidence demonstrated that RSA's primary purpose was to promote the rink owners' and operators' businesses, maximize profits, and increase viability of the sport, any educational training provided by RSA was merely incidental to its promotional activities and, as a result, RSA was not entitled to an exemption. (Cert. Admin. R. at 122-23.) The Court disagrees.

RSA demonstrated that it provides instruction and training in recreational and business management. This Court knows judicially that tax-supported colleges and schools such as Indiana University and Purdue University offer courses in those subject

areas. See *State Bd. of Tax Comm'rs v. Prof'l Photographers of America, Inc.*, 268 N.E.2d 617, 623 (Ind. Ct. App. 1971) (Indiana Court of Appeals explaining that it knew judicially that public schools' curricula included courses related to the field of photography). Furthermore, as RSA points out, even a cursory look at Indiana University's website reveals that it provides similar courses to that of RSU. (See Pet. Br. at 4-5.) See also, e.g., Indiana University at Bloomington, Department of Recreation and Park Administration, <http://www.indiana.edu/~rpmgt/> (last visited November 30, 2005).

RSA's training is not based on the recreational sport of roller skating.³ While RSA's specific audience is comprised of business owners in the field of roller skating and family entertainment, that fact, in and of itself, does not preclude an exemption.

³ Indeed, at the State Board hearing, Ms. Brown testified:

Our members aren't skaters, they are business owners. There is a separate organization called USA Roller Skating that, in our original charter, we were one and the same, we divided many years ago because skaters are one organization and we are the [a]ssociation that supports the business owner/operator of [r]oller [s]kating [r]inks.

* * * *

Education is our focus, not an incidental result of our activities. Our request for exemption was approved in prior years, and the focus of our organization has not changed, and we respectfully request a continuation of our exemption.

(Cert. Admin R. at 196, 198.) In addition to Ms. Brown's testimony, RSA presented a summary of the RSU program, a description of its curriculum, and how it was developed. (Cert. Admin. R. at 166-188.) RSA also submitted its mission statement, a description of other educational activities and a sample list of educational materials that it makes available to its members. (Cert. Admin. R. at 165-168, 189.)

See *Trinity*, 799 N.E.2d at 1238 n.6 (“[u]ltimately, it is the relief of the State’s burden that is the public benefit in question, not who takes the courses”).

Moreover, the fact that RSA intends for its members to receive the benefits of profit maximization and business promotion from the educational training it provides also does not preclude an exemption. Undoubtedly, the goals of any educational institution include educating its students so that they may be successful in their fields of study. More importantly, the evidence clearly shows that RSA’s primary purpose is to educate and inform its members. (Cert. Admin. R. at 134, 165-68, 195-202.)

Finally, the Court also disagrees with the State Board’s claim that RSA was required to conduct educational training on its Indianapolis property. This Court has previously held that where the use of property is reasonably necessary to implement/further an exempt purpose, the property is exempt from taxation. See *Alte Salems Kirche, Inc. v. State Bd. of Tax Comm’rs*, 733 N.E.2d 40, 44 (Ind. Tax Ct. 2000) (mobile home and barn were reasonably necessary for church’s exempt purpose and therefore exempt). RSA presented testimony that its property is used 100% of the time for the development and storage of educational materials used at RSU and made available to its members. Certainly, the development of educational materials and storage of those materials are reasonably necessary to carry out RSA’s educational purpose. Cf. *St. Mary’s Med. Ctr. Of Evansville, Inc. v. State Bd. of Tax Comm’rs*, 534 N.E.2d 277 (Ind. Tax Ct. 1989), aff’d, 571 N.E.2d 1247 (Ind. 1991) (stating that hospital was not entitled to an exemption on buildings it leased to physicians as office space because the buildings were not reasonably necessary to activities of the hospital).

CONCLUSION

RSA demonstrated that it provided educational training equivalent to that furnished by tax-supported schools and that its use of the subject property was reasonably necessary to further its exempt purpose. The Court, therefore, REVERSES the State Board's final determination. This case is remanded to the Indiana Board to instruct the local assessing officials to grant the requested exemption.⁴

⁴ All cases that would have been remanded to the State Board are now remanded to the Indiana Board of Tax Review (Indiana Board). IND. CODE ANN. § 6-1.1-15-8 (West Supp. 2005-2006). Final determinations made by the Indiana Board are subject to review by this Court pursuant to Indiana Code § 6-1.1-15. IND. CODE ANN. §§ 6-1.5-5-7, 33-26-3-1 (West Supp. 2005-2006).