

## **SALISBURY TOWNSHIP SCHOOL DISTRICT FILES CHALLENGE TO LEHIGH VALLEY HOSPITAL'S LUCRATIVE LOCAL PROPERTY TAX-EXEMPTION**

SALISBURY, PA (January 16, 2019) – Asserting that nonprofit Lehigh Valley Hospital is not a “purely public charity,” a designation that enables it to avoid paying millions of dollars in property taxes, Salisbury Township School District (STSD) is challenging the hospital’s tax exemption. In an action filed in the Court of Common Pleas of Lehigh County, the school district argues that that Lehigh Valley Hospital should be ordered to pay its “fair share” of taxes, according to District officials.

Lehigh Valley Hospital, part of the Lehigh Valley Health Network, is a multi-billion-dollar integrated health network with hospitals, outpatient facilities, and numerous related health facilities throughout the Lehigh Valley. According to the new tax exemption appeal the District has filed in court, the hospital does not meet the constitutional requirements set forth by the Pennsylvania Supreme Court necessary to show that it is a “purely public charity.”

In challenging the health system’s claim of tax-exempt status, the District’s recently filed lawsuit argues that the health system should pay more than \$5 million a year in property taxes based on the current real estate valuation and the school district’s property tax rate. The hospital’s properties may be subject to future re-assessments that would result in even greater revenue to the District.

“These uncollected revenues could help support core programs and even limit future tax increases,” explained STSD Superintendent Randy Ziegenfuss.

The District claims that Lehigh Valley Hospital’s property tax avoidance penalizes all other tax payers, including for-profit health-care entities with which the health network fiercely competes. Contrary to state law, Lehigh Valley Health Network conducts its far-reaching business enterprises as profit-making businesses – including paying its top executives extremely high salaries and bonuses – while avoiding payment of their fair share of property taxes.

The lawsuit was filed on the District’s behalf by special outside counsel Martin Cohen and Mark Altemose of the Bethlehem-based firm, Cohen, Feeley, Altemose & Rambo, and by Aaron J. Freiwald, managing partner of Freiwald Law in Philadelphia. Under their agreement with the District, the lawyers will only be compensated if the tax appeal is successful.

The court filing underscores the following key points in announcing the filing in Lehigh County Court of Common Pleas:

- Under a 1985 Supreme Court decision, nonprofit hospitals are not automatically exempt from paying local property taxes, which substantially fund Pennsylvania’s

public schools. They must meet the law's rigid five-point standard to qualify as a 'purely public charity.'

- Lehigh Valley Hospital does not satisfy these requirements to be property-tax exempt and also fails to meet other state and county rules and regulations.
- For example, based on a comprehensive review, it was determined that the hospital provides less than 2% of its total operating revenue for charitable care. Pennsylvania law allows tax exemption only to those entities that donate a substantial portion of their revenue to charity.

"According to the Pennsylvania Constitution, the privilege of property-tax exemption is reserved for those nonprofits that are primarily in the business of charity," noted Mr. Freiwald, one of the lawyers for the District. "Lehigh Valley Hospital is primarily in the business of profits and they do quite well enough to pay their fair share to support the students, faculty and staff in Salisbury Township."

Contacts:  
Stephan Rosenfeld (215) 514-4101