

STROUDSBURG AREA SCHOOL DISTRICT FILES CHALLENGE TO LEHIGH VALLEY HOSPITAL'S LUCRATIVE LOCAL PROPERTY TAX-EXEMPTION

STROUDSBURG, PA (January 16, 2019) – Asserting that nonprofit St. Luke's Hospital – Monroe Campus is not a "purely public charity," a designation that enables it to avoid hundreds of thousands of dollars in property taxes each year, Stroudsburg Area School District (SASD) is challenging the hospital's tax exemption. In an action filed in the Court of Common Pleas of Monroe County, the school district argues that that St. Luke's should be ordered to pay its "fair share" of taxes, according to District officials.

St. Luke's – Monroe, part of the St. Luke's 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 roughly \$500,000 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.

SASD Superintendent Cosmas Curry stated, "We recognize that St. Luke's is an excellent provider of health care, but we sorely need taxes to operate and are challenging their tax exemption status through the appeal process."

The District claims that St. Luke's property tax avoidance penalizes all other tax payers, including for-profit health-care entities with which St. Luke's fiercely competes. Contrary to state law, St. Luke's conducts its far-reaching business enterprises as profit-making businesses – including paying its top executives millions of dollars – 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 Monroe 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.'

- St. Luke's fails to meet these requirements and also fails to satisfy 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. "St. Luke's is primarily in the business of profits and they are very good at that business, but that is precisely the reason they should pay their fair share to support the students, faculty and staff in Stroudsburg."

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