Challenging tax exemptions

Yesterday, we discussed the expansion of the Hill School’s campus, and the increasing number of its tax-exempt properties.

The Hill School owns the most valuable real estate in Pottstown, assessed at more than $43 million. It avoids an annual $2.3 million real estate tax bill because of its tax-exempt status.

The school serves an affluent population. About 60 percent of its 520 students’ families pay full tuition ($55,660 for boarders).

The Pottstown School District, on the other hand, is coping with a declining tax base and a student population that is 65 percent minority and 67 percent low income.

How does a non-profit like The Hill School qualify for a tax exemption?

**Tax exemption standards**

In 1985, the Pennsylvania Supreme Court established a five-part test to determine whether real estate owned by non-profits qualifies for a tax exemption:

1. The organization must advance a charitable purpose;
2. It must donate or render gratuitously a substantial portion of its services;
3. It must benefit a substantial and indefinite class of persons who are legitimate subjects of charity;
4. It must relieve government of some of its burden.
5. It must operate entirely free from the private profit motive.

**Hill School challenged**

Does the Hill School meet that test? Back in the 1990s, when the Hill School only admitted boys, the Pottstown School District challenged its tax exemption. The district lost the argument before Commonwealth Court in November 2001.

Recently, the Philadelphia Inquirer reported that non-profits are being more heavily scrutinized by Philadelphia’s Office of Property Assessment, including the University of Pennsylvania. Thus far, the city has challenged the tax exempt status of a non-profit providing student housing for Temple University.

The city is also challenging the exemption for dorm rooms used by seminarians at a Philadelphia church.

Meanwhile, Radnor Township is asking its three colleges — Villanova University, Eastern University, and Cabrini College — to make annual payments in lieu of taxes.

Does The Hill School merit tax-exempt status when a clear majority of its students come from affluent families?

Whatever the school’s legal rights, it seems clear the school could be doing more to support the viability of Pottstown.

Last year, the school trustees announced an initiative to improve the neighborhood immediately surrounding the school.

Tomorrow, we will discuss that effort, called “Hobart’s Run.”

Tom Hylton is a member of the Pottstown School Board. However, the views expressed are his alone and not the board’s.