

IN THE OREGON TAX COURT  
MAGISTRATE DIVISION  
Property Tax

TEEN CHALLENGE INTERNATIONAL )  
PACIFIC NORTHWEST CENTERS, )  
 )  
Plaintiff, ) TC-MD 060668E  
 )  
v. )  
 )  
LANE COUNTY ASSESSOR, )  
 )  
Defendant. ) **DECISION**

Plaintiff appeals Defendant’s denial of its application for a 2006-07 property tax exemption. A telephone trial in the matter was held February 21, 2007. Gregory Pitts, Executive Director of the Springfield, Oregon site, appeared and testified on behalf of Plaintiff. Also appearing and testifying for Plaintiff was Chris Hodges, President and Chairman of the Board. Joyce Kehoe appeared and testified on behalf of Defendant.

I. STATEMENT OF FACTS

Plaintiff is a nonprofit corporation operating 11 faith-based residential recovery centers in the northwest. The recovery centers are funded through private donations and eight thrift stores. The proceeds received by the thrift stores are placed in a single account and disbursed by Plaintiff where needed. Plaintiff’s purpose is stated in its bylaws as follows:

“The primary purposes for which this corporation is organized are religious, educational and charitable ones, to wit: To provide youth, adults and families with an effective and comprehensive Christian faith-based solution to life-controlling drug and alcohol problems. Teen Challenge endeavors to help people become mentally sound, emotionally balanced, socially adjusted, physically well and spiritually alive. Teen Challenge shall endeavor in their effort to help people by enriching their lives with actual work experience to enable them to become profitable members of their community.”

(Ptf’s Ex 2 at 1.)

The subject property is located in Springfield, Oregon.<sup>1</sup> The front of the building is used as a retail thrift store dealing exclusively in donated inventory. Most, but not all, of the workers in the store are volunteers, including one student worker who was referred to the store by the school district through its troubled youth program.

The back of the property is used as an outreach and referral center. Pitts works out of that office and oversees the work in the thrift store. Pitts is involved in the community, working with local law enforcement to educate individuals about the dangers and risk of drugs. He also ensures literature is available at local churches informing people of Plaintiff's services. When individuals come to him for help, Pitts counsels them as to where they may go to receive the help they need. Hodges testified that Plaintiff's objective is to take people out of crisis situations and place them in a center where they can be treated and rehabilitated. Plaintiff intends to open a residential recovery center in the Springfield/Eugene area to serve boys. Currently, all of the northwest treatment centers serve adults; none are specific to juveniles.

All of Plaintiff's educational and counseling services are provided without cost. When an individual applies to one of Plaintiff's residential programs, Plaintiff charges a \$300 application fee. Both Pitts and Hodges testified, however, that the fee is waived upon request. In addition, there is no established cost for the residential programs. Plaintiff simply requests parties pay what they are able to pay. Hodges testified that Plaintiff's residents will "never receive a bill" from Plaintiff.

Plaintiff began working in the Springfield area in November 2005 and began occupying the subject property in February 2006. Plaintiff filed an application seeking exemption for the 2006-07 tax year. Defendant denied the request, concluding the property did not qualify for

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<sup>1</sup> The property is identified in Defendant's records as Account 0212033.

exemption under ORS 307.130(1)(c).<sup>2</sup> On appeal, Plaintiff argued the property qualified for exemption under ORS 307.130(1)(d).

## II. ANALYSIS

The burden of proving entitlement to an exemption is on the entity seeking exemption. In analyzing exemption cases, the court is guided by the rule that taxation is the rule and exemption from taxation is the exception. *Dove Lewis Mem. Emer. Vet. Clinic v. Dept. of Rev.*, 301 Or 423, 426-27, 723 P2d 320 (1986).

At trial, most of the testimony related to whether the subject property is exempt under ORS 307.130(1)(d). That statute states, in pertinent part:

“(1) Upon compliance with ORS 307.162, the following property owned or being purchased by art museums, volunteer fire departments, or incorporated literary, benevolent, charitable and scientific institutions shall be exempt from taxation:

“\* \* \* \* \*

“(d) All real and personal property of a retail store dealing exclusively in donated inventory, where the inventory is distributed without cost as part of a welfare program or where the proceeds of the sale of any inventory sold to the general public are used to support a welfare program. As used in this subsection, ‘welfare program’ means the providing of food, shelter, clothing or health care, including dental service, to needy persons without charge.”

The statute allows retail stores of charitable organizations to be exempt as long as the stores deal exclusively in donated inventory and the proceeds of any sale are used to support a welfare program. The subject retail store satisfies the first test because it deals exclusively in donated inventory. The question is whether the “proceeds of the sale of any inventory sold to the general public are used to support a welfare program.” *Id.*

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<sup>2</sup> All references to the Oregon Revised Statutes (ORS) are to 2005.

At trial, Kehoe testified she believed the subject property operated on an independent basis and that the money earned from the store was used exclusively to fund the attached outreach center. Kehoe argued that counseling is not a “welfare program” as defined by the statute and, therefore, the exemption should be denied. At trial, however, the testimony was clear that the thrift store is one component of Plaintiff’s operations and that the money from the thrift store is placed in an account with money from the other thrift stores. The money is then disbursed to the various residential centers in the northwest to fund their operations. The money is also used to support the referral centers, which operate as an extension of the residential centers.

The question is whether a residential recovery center is considered a “welfare program” for purposes of the statute. The statute defines a “welfare program” as one that provides “food, shelter, clothing or health care, including dental service, to needy persons without charge.” ORS 307.130(1)(d). In the residential recovery programs, Plaintiff is providing individuals in need with food and shelter. Plaintiff does not charge for its services but, instead, only asks people to pay what they can afford. The court finds a residential treatment center qualifies as a welfare program under ORS 307.130(1)(d).

Kehoe argued that the thrift store itself must be used for exempt purposes and that allowing the money earned to support an exempt purpose is relying on the “destination of income” theory, which has been rejected by the Oregon courts. The “destination of income” theory looks to the destination of the income, and not the source of the income, for purposes of determining the right to exemption. *Bd. Pub., Meth. Church v. Tax Com.*, 239 Or 65, 70, 396 P2d 212 (1964). The court agrees with Defendant that Oregon has rejected the destination of  
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income theory for purposes of exemption. *See, e.g., Corp. of Presiding Bishop v. Dept. of Rev.*, 276 Or 775, 778, 556 P2d 685 (1976) (“This court, as well as many other courts, has rejected [the] ‘destination of income’ theory.”) This case, however, is different than the typical destination of income case. Here, the legislature in ORS 307.130(1)(d) specifically allows the exemption when the money earned is used to support a separate use, *i.e.*, a welfare program. The legislature created, therefore, a statutory exception to the destination of income prohibition.

Kehoe also argued that the money is used to pay Pitts’ salary and his salary is not a “welfare program.” She claims that, as a result, the exemption should be denied. The statute, however, allows the money to be used “to support a welfare program.” The court finds that part of supporting a welfare program is paying the staff working in that program.

Plaintiff is doing good work in the community by taking individuals in need and providing them with residential treatment to afford them the opportunity to turn their lives around. After considering all the evidence and testimony, the court is persuaded the property qualifies for exemption under ORS 307.130(1)(d).

### III. CONCLUSION

The court concludes the subject property qualifies for exemption under ORS 307.130(1)(d). Now, therefore,

IT IS THE DECISION OF THIS COURT that Plaintiff’s appeal is granted; and

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IT IS FURTHER DECIDED that the property identified as Account 0212033, found at 1489 and 1491 Mohawk Boulevard, Springfield, Oregon, is exempt from taxation for the 2006-07 tax year.

Dated this \_\_\_\_\_ day of May 2007.

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COYREEN R. WEIDNER  
MAGISTRATE

***If you want to appeal this decision, file a complaint in the Regular Division of the Oregon Tax Court, by mailing to: 1163 State Street, Salem, OR 97301-2563; or by hand delivery to: Fourth Floor, 1241 State Street, Salem, OR.***

***Your complaint must be submitted within 60 days after the date of the decision or this decision becomes final and cannot be changed.***

***This document was signed by Magistrate Coyreen R. Weidner on May 31, 2007. The Court filed and entered this document on May 31, 2007.***