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June 5, 2024

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RE: IN RE: ISHA FOUNDATION INC., APD Case No. 53.06-237050J

Enclosed is an *Initial Order*, including a *Notice of Appeal Procedures*, rendered in this case.

Administrative Procedures Division
Tennessee Department of State

Enclosure(s)

**BEFORE THE ADMINISTRATIVE JUDGE ON BEHALF OF
THE TENNESSEE BOARD OF EQUALIZATION**

IN THE MATTER OF:

ISHA FOUNDATION INC.,
Petitioner,

v.

**WARREN COUNTY ASSESSOR'S
OFFICE,**
Respondent.

APD Case No. 53.06-237050J

**No./Parcel: 206722 / 110 02000 000
206723 / 110 02000 002
Tax Year 2022**

CORRECTED INITIAL DECISION AND ORDER¹

This is an appeal from an initial determination on a property tax exemption application. The taxpayer, Isha Foundation, Inc. (Isha), applied to the State Board of Equalization (“State Board”) for a tax exemption of the subject properties by submitting a tax exemption application received April 29, 2022. On August 26, 2022, the State Board designee issued an initial determination finding a portion of the subject properties exempt with an effective date of January 1, 2022, and the remainder non-exempt. Administrative Judge Shannon Barnhill² conducted the State Board hearing via telephone on February 8, 2024.

SUMMARY OF EVIDENCE

Sarah “Sen” Urbanczik testified on behalf of Isha. Warren County Assessor, Beth Martin, and Emily Bennett, Assistant Director Comptroller of the Treasury,³ testified on behalf of the Assessor. In addition to the case files already in the RECORD, one exhibit was entered into evidence

¹ This corrected Initial Decision and Order removes 4 bedrooms located in the Rejuvenation Administrative Building and the Rejuvenation Cabins from consideration as they were not appealed by the taxpayer and were not before the undersigned administrative judge.

² Judge Barnhill is an independent and neutral administrative judge assigned by the Tennessee Secretary of State’s Administrative Procedures Division to preside over the case and issue an initial decision and order on behalf of the Tennessee State Board of Equalization. TENN. CODE. ANN. § 67-5-1505.

³ Ms. Bennett was also the State Board designee who rendered the underlying exemption decision in this case.

at the hearing: COLLECTIVE EXHIBIT 1 – Taxpayer’s Photographs 1-41 (filed by Isha on January 31, 2024, and again on February 7, 2024⁴ as a proposed exhibit).

ISSUE AND DETERMINATION

The issue is whether Isha has proven, by a preponderance of the evidence, that the subject properties are entitled to exempt status pursuant to TENN. CODE ANN. § 67-5-225. Based upon the following findings of fact and conclusions of law, it is determined that the taxpayer has met the burden of proof to show that an additional portion of the parcels should be exempt. The initial determination is reversed in part and affirmed in part.

FINDINGS OF FACT

1. Isha is a non-profit 501(c)3 charitable organization whose primary mission is dedicated to the physical, mental and spiritual well-being of all people.

2. In 2006, Isha established the Isha Institute of Inner-sciences on the subject parcels in McMinnville, Tennessee, to create a space used purely and exclusively as a year-round family wellness center where Isha yoga programs are taught and conducted (“Isha Institute”).

3. In addition to the variety of yoga programs conducted throughout the year at the Isha Institute, Isha has programs for all ages, including sports programs for teens; summer programs for children that include yoga, gardening, hiking, art and other outdoor activities; a youth leadership development program for teens age fifteen and up; and outreach and exercise programs geared specifically for senior citizens.

4. A portion of the subject property is currently exempt from taxation pursuant to the family wellness center exemption set forth in TENN. CODE ANN. § 67-5-225.

5. Isha requested a tax exemption of the Rejuvenation Administrative Building listed on map/parcel 110 020.00 000 (assessor’s tax card #1)⁵ and the following structures listed on

⁴ This submission was identical, but Bates stamped.

⁵ The taxpayer did not appeal the short-term housing areas of the Rejuvenation Administration Building.

map/parcel 110 020.00 002: the Malli/Parijata Program Halls (assessor's tax card #4), and the Rejuvenation Program Hall (assessor's tax card #5).

6. The subject parcels are owned and utilized by Isha.

Parcel 020.00 000 – Assessor's tax card #1 (SBOE Appeal 206722)

7. Parcel 020.00 000/Tax card #1 consists of the Rejuvenation Administrative Building.

8. The Rejuvenation Administrative Building is a two-story mixed-use building that is a renovated house divided into public areas downstairs including a kitchen, dining room, living room, and four bedrooms with their own bathroom with shower, and three bedrooms with their own bathroom with shower upstairs. Three of the four downstairs bedrooms are utilized as Siddha medicine consultation rooms and classrooms. The other downstairs bedroom and the three upstairs bedrooms used for short-term lodging for Isha yoga program participants were not appealed. The living room area, dining room area, and kitchen area downstairs are used exclusively for volunteer meetings in support of the yoga programs as well as activities for the Rejuvenation and the Inner Engineering Completion Retreat programs.

9. The application for tax exempt status for Parcel 020.00 000/Assessor's tax card #1 was denied by the State Board designee.

Parcel 020.00 002 – Assessor's tax card #4 (SBOE Appeal 206723)

10. Parcel 020.00 002/Tax card #4 consists of the Malli/Parijata Program Halls.

11. The Malli/Parijata Program Halls building is a two-story structure primarily used for Isha's yoga and meditation programs for the public. The upstairs is split into two equally sized program halls, with adjacent men's and women's restrooms for program participants and volunteers. It is used for several of the Isha yoga programs including Inner Engineering Completion, Shoonya Meditation, Bhava Spandana Program, 21-Day Sadhana, Bhuta Shuddhi, Angamardana, Yogasanas, and Surya Kriya. This structure is used daily, year-round.

12. The downstairs is used as a dining hall for program participants. Meals are included for those guests who are participating in a paid program. Guests who are attending free programs are charged a nominal fee to offset the cost of food. The dining hall also doubles as a facility for indoor activities when weather conditions prohibit outdoor activities.

13. The application for tax exempt status for Parcel 020.00 002/Tax card #4 was approved in part and denied in part by the State Board designee.

14. The State Board designee determined that the Malli/Parijata Program Hall should be approved for exemption to the extent of 50% of the value of the improvement. The State Board designee determined that the portion used in conjunction with the organization's meditation and yoga programs was approved and that the remainder was used as a dining hall. The State Board designee determined that the dining hall did not qualify for exemption.

15. Following the Isha's presentation of proof at the hearing, the State Board designee reversed her position on the dining hall and determined it qualified for exemption.

Parcel 020.00 002 – Assessor's tax card #5 (SBOE Appeal 206723)

16. Parcel 020.00 002/Tax card #5 consists of the Rejuvenation Program Hall.

17. The Rejuvenation Program Hall building is a single-story structure used purely and exclusively as a program venue for Isha's Rejuvenation programs for the public, including Ayur Rasayana. Isha Rejuvenation programs combine yogic practices, diet, massage, therapeutic baths and wraps and rejuvenating tonics with traditional Indian Siddha and Ayurvedic healing systems. These programs include a massage, mud bath, and facial. According to the testimony, the massage, mud bath, and facial is a one-time benefit included in the program and cannot be purchased on a separate basis. Additionally, these services accounted for approximately one hour of a four-day program. The Rejuvenation Program Hall building contains two waiting rooms (1 for men and 1 for women), seven massage therapy rooms for one individual, each, with adjoining showers (3 on the men's side of the building and 4 on the women's), two sauna rooms (1 for men and 1 for

women), and 4 restrooms (2 for men and 2 for women), a deck for relaxing after massage treatment, and a prep room for therapy materials with a laundry machine. This structure is used exclusively for Isha Rejuvenation programs and other Isha programs throughout the year.

18. The application for exempt status for Parcel 020.00 002/Assessor's tax card #5 was denied by the State Board designee.

APPLICABLE LAW

The party appealing from the initial determination on its application for exemption has the burden of proof in this administrative proceeding. TENN. COMP. R. & REGS. 0600-1-.11(2).

Pursuant to TENN. CODE ANN. § 67-5-225, property may be exempt from property taxation if it is owned, occupied, and used for an exempt purpose:

(a) Real and personal property used as a nonprofit family wellness center shall be exempt from property taxes as a charitable use of property, if the center is owned and operated as provided in this section. "Family wellness center" means real and personal property used to provide physical exercise opportunities for children and adults. The property must be owned by a nonprofit corporation that is a charitable institution that:

- (1) Has as its historic sole purpose the provision of programs promoting physical, mental, and spiritual health, on a holistic basis without emphasizing one over another;
- (2) Provides at least five (5) of the following eight (8) programs dedicated to the improvement of conditions in the community and to support for families:
 - (A) Day care programs for preschool and school-aged children;
 - (B) Team sports opportunities for youth and teens;
 - (C) Leadership development for youth, teens, and adults;
 - (D) Services for at-risk youth and teens;
 - (E) Summer programs for at-risk and non-at-risk youth and teens;
 - (F) Outreach and exercise programs for seniors;
 - (G) Aquatic programs for all ages and skill levels; and
 - (H) Services for disabled children and adults; and

- (3) Provides all programs and services to those of all ages, incomes and abilities under a fee structure that reasonably accommodates persons of limited means and, therefore, ensures that ability to pay is not a consideration. The corporation must further meet the requirements of subsection (b).
- (b) To qualify for exemption, the nonprofit corporation must first be exempt from federal income taxation as an exempt charitable organization under § 501(c)(3) of the Internal Revenue Code (26 U.S.C. § 501(c)(3)), and any amendments thereto. In addition, the nonprofit corporation shall provide that:
 - (1) The directors and officers shall serve without compensation beyond reasonable compensation for services performed;
 - (2) The corporation is dedicated to and operated exclusively for nonprofit purposes;
 - (3) No part of the income or the assets of the corporation shall be distributed to inure to the benefit of any individual; and
 - (4) Upon liquidation or dissolution, all assets remaining after payment of the corporation's debts shall be conveyed or distributed only in accordance with the requirements applicable to a § 501(c)(3) corporation.
- (c) All claims for exemptions under this section are subject to § 67-5-212(b).
- (d) Nothing in this section shall prevent property of the corporation other than wellness centers from qualifying under other provisions of law.

ANALYSIS AND CONCLUSIONS OF LAW

Upon review of the record, it is determined that Isha has met the burden of proof for exempt status of the property at issue. The property is owned by a nonprofit corporation that is a charitable institution having as its historic sole purpose the provision of programs promoting physical, mental, and spiritual health on a holistic basis without emphasizing one over another. It provides a minimum of five of the eight programs dedicated to the improvement of conditions in the community and to support for families including: team sports opportunities for youth and teens; leadership development for youth, teens, and adults; services for at-risk youth and teens; summer programs for at-risk and non-at-risk youth and teens; outreach and exercise programs for seniors; and services for disabled children and adults.

Isha provides programs and services to those of all ages, incomes, and abilities under a fee structure that reasonably accommodates persons of limited means and, therefore, ensures that ability to pay is not a consideration. In fact, programs are available on a daily basis free of charge to anyone who wishes to participate.

Isha is a non-profit 501(c)3 charitable organization, and all the buildings in question serve an important function in the day-to-day mission of Isha.

Therefore, the initial determination is affirmed in part and reversed in part as set out for each parcel below.

DETERMINATION

All exemption determinations are effective as of January 1, 2022.

Parcel 020.00 000/Tax card #1 consists of the Rejuvenation Administrative Building

It is determined this parcel should be exempt, except for the one downstairs bedroom and the three upstairs bedrooms used for short-term lodging for Isha yoga program participants which were not appealed, and the initial determination is reversed.


Parcel 020.00 002/Tax card #4 consists of the Malli/Parijata Program Halls – It is determined that the entire building is exempt. The initial determination is affirmed in part and reversed in part.

Parcel 020.00 002/Tax card #5 consists of the Rejuvenation Program Hall – It is determined this parcel should be exempt and the initial determination is reversed.

The policy reasons for this decision are to ensure a fair review and hearing of property tax appeals and to uphold the laws of the State of Tennessee and the rules of the State Board of Equalization.

It is so **ORDERED**.

This INITIAL ORDER entered and effective this the **5th day of June, 2024**.



J. SHANNON BARNHILL
ADMINISTRATIVE JUDGE
ADMINISTRATIVE PROCEDURES DIVISION
OFFICE OF THE SECRETARY OF STATE

Filed in the Administrative Procedures Division, Office of the Secretary of State, this the
5th day of June, 2024.

NOTICE OF APPEAL PROCEDURES

REVIEW OF INITIAL ORDER

The Administrative Judge's decision in your case **BEFORE THE ADMINISTRATIVE JUDGE ON BEHALF OF THE TENNESSEE BOARD OF EQUALIZATION (the State Board)**, called an Initial Order, was entered on **June 5, 2024**. The Initial Order is not a Final Order but shall become a Final Order unless:

1. **A party files a Petition for Reconsideration of the Initial Order:** You may ask the Administrative Judge to reconsider the decision by filing a Petition for Reconsideration with the Administrative Procedures Division (APD). Your Petition should include your name, the above APD case number, and state the specific reasons why you think the decision is incorrect. APD must **receive** your written Petition no later than 15 days after entry of the Initial Order, which is **June 20, 2024**. A new 15 day period for the filing of an appeal to the State Board of Equalization (the State Board) (as set forth in paragraph (2), below) starts to run from the entry date of an order ruling on a Petition for Reconsideration, or from the twentieth day after filing the Petition if no order is issued. Filing instructions are included at the end of this document.

The Administrative Judge has 20 days from receipt of your Petition to grant, deny, or take no action on your Petition for Reconsideration. If the Petition is granted, you will be notified about further proceedings, and the timeline for appealing (as discussed in paragraph (2), below) will be adjusted. If no action is taken within 20 days, the Petition is deemed denied. As discussed below, if the Petition is denied, you may file an appeal of the Initial Order within 30 days after an Order denying the Petition for Reconsideration is sent or 30 days after the 20th day after the Petition is filed if no Order has issued, whichever comes first. *See* TENN. CODE ANN. § 4-5-317.

2. **A party files an appeal to the State Board:** A party may appeal the Administrative Judge's decision to the State Board pursuant to TENN. CODE ANN. §§ 67-5-1501 and 67-5-1506, and TENN. COMP. R. & REGS. 0600-01-.12. TENN. CODE ANN. § 67-5-1501(c) provides that an appeal "must be filed within thirty (30) days from the date the initial decision is sent." TENN. COMP. R. & REGS. 0600-01-.12(2) provides that the appeal be filed with the Executive Secretary of the State Board at the address indicated below and that the appeal must "identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order; and identify how the rights of the petitioner have allegedly been prejudiced because the administrative findings, inferences, conclusions, or decisions are: (1) in violation of constitutional or statutory provisions; (2) made upon unlawful procedure; (3) arbitrary and capricious or characterized by abuse of discretion; or (4) unsupported by evidence that is both substantial and material in light of the entire record." Any appeal to the State Board should also be filed with APD.
3. **The State Board of Equalization may decide on its own motion to review the Initial Order:** The State Board may affirm, reverse, or modify the Initial Order. The State Board may also remand the case to the Administrative Judge for further proceedings.

If either of the actions set forth in paragraphs (2) or (3) above occurs prior to the Initial Order becoming a Final Order, there is no Final Order until the State Board renders a Final Order.

If none of the actions set forth in paragraphs (1), or (2) or (3), are taken, then the Initial Order will become a Final Order. **In that event, YOU WILL NOT RECEIVE FURTHER NOTICE OF THE INITIAL ORDER BECOMING A FINAL ORDER.**

NOTICE OF APPEAL PROCEDURES

STAY

In addition to the above actions, you may file a Petition asking the Administrative Judge for a stay that will delay the effectiveness of the Initial Order. A Petition for stay must be **received** by the APD within 7 days of the date of entry of the Initial Order, which is no later than **June 12, 2024**. See TENN. CODE ANN. § 4-5-316. A reviewing court may also order a stay of the Initial Order upon appropriate terms. See TENN. CODE ANN. § 4-5-322 and 4-5-317.

REVIEW OF A FINAL ORDER

When an Initial Order becomes a Final Order, a person who is aggrieved by a Final Order may seek judicial review of the Final Order by filing a Petition for Review in the chancery court where the disputed assessment was made or in the chancery court of Davidson, Washington, Knox, Hamilton, Madison or Shelby Counties, whichever county is closest in mileage to the situs of the property. If the property is located in Knox, Hamilton or Shelby County, the Petition for Review may alternatively be filed in the chancery court of Davidson County. See TENN. CODE ANN. § 67-5-1511(b). The Petition for Review must be filed within 60 days of (a) the date of entry of a Final Order; (b) the date the Initial Order becomes a Final Order; or (c) the date of a notice or certificate sent by the State Board when it has taken a final action, whichever date is latest. See TENN. CODE ANN. §§ 4-5-322 and 67-5-1506(b). A Petition for Review of the final decision of the State Board in a contested case involving centrally assessed utility property assessed in accordance with title 67, chapter 5, part 13, shall be filed with the middle division of the Tennessee court of appeals.

The filing of a Petition for Reconsideration is not required before appealing. See TENN. CODE ANN. § 4-5-317. A reviewing court also may order a stay of the Final Order upon appropriate terms. See TENN. CODE ANN. §§ 4-5-322 and 4-5-317.

FILING

Documents should be filed with the Administrative Procedures Division by email *or* fax:

Email: APD.filings@tnsos.gov

Fax: 615-741-4472

In the event you do not have access to email or fax, you may mail or deliver documents to:

Secretary of State
Administrative Procedures Division
William R. Snodgrass Tower
312 Rosa L. Parks Avenue, 6th Floor
Nashville, TN 37243-1102

Documents to be filed with the Executive Secretary of the State Board of Equalization should be filed by email *or* regular mail:

Email: sb.web@cot.tn.gov

Executive Secretary of the State Board of Equalization
State Board of Equalization
425 Rep. John Lewis Way N.
Nashville, TN 37243