SUPREME COURT OF PENNSYLVANIA

Pottstown School District v. Montgomery County Board of Assessment Appeals; Appeal of Pottstown Hospital, LLC

Pottstown School District · No. 95 MAP 2023 · Decided May 30, 2025

SUMMARY

This dissenting opinion addresses whether Pottstown Hospital, LLC qualifies as a tax-exempt institution of purely public charity under Pennsylvania law. Justice Mundy concludes that Tower Health’s finances, intercompany management payments, and executive compensation tied to financial performance should be considered in applying the fifth element of the HUP test. The dissent would affirm the Commonwealth Court’s reversal of the tax exemption.

CASE DETAILS

COURT	Supreme Court of Pennsylvania
WRITING FOR THE COURT	Justice Mundy
JURISDICTION	Supreme Court of Pennsylvania
DECIDED	May 30, 2025
DOCKET	95 MAP 2023
DISPOSITION	other
PROCEDURAL POSTURE	Pottstown Hospital, LLC appealed a Commonwealth Court order reversing an order of the Montgomery County Court of Common Pleas concerning the hospital's real-property tax-exempt status. Justice Mundy dissented from the Supreme Court majority's disposition and would have affirmed the Commonwealth Court.
STANDARD OF REVIEW	The opinion applies the HUP test governing qualification as an institution of purely public charity and emphasizes that the taxpayer bears the affirmative burden of proving entitlement to a tax exemption.
PRECEDENTIAL VALUE	Published dissenting opinion; nonbinding as a dissent.
PARTIES	Pottstown Hospital, LLC v. Pottstown School District, Montgomery County Board of Assessment Appeals, Pottstown Borough, County of Montgomery

TOPICS

property tax | tax exempt organizations | tax | constitutional law | municipal law

PRACTICE AREAS

property tax | tax-exempt organizations | constitutional law | health law | municipal law

QUESTIONS PRESENTED

1. Whether Tower Health's finances and its relationship with Pottstown Hospital should be considered in determining whether the hospital operated entirely free from a private profit motive under the fifth element of the HUP test.
2. Whether executive compensation containing bonuses tied to the hospital's financial performance is consistent with operation entirely free from a private profit motive.
3. Whether Pottstown Hospital established its entitlement to a purely public charity tax exemption despite paying substantial management and administrative fees to Tower without proving the value received in return.

KEY QUOTATIONS

> *"A charitable institution cannot be the financial engine which pulls for-profit freight and remain an institution of purely public charity."* (2)

> *"Corporations need to pick a lane, and if they want to be tax exempt, they need to pick the charity lane – which under HUP means they must operate entirely free from a profit motive."* (4)

> *"By straightforward logic, if a profitable year results in greater compensation, there is a profit motive."* (7)

FACTUAL BACKGROUND

Pottstown Hospital, LLC was part of the Tower Health system, with Tower as its sole member. The hospital paid Tower between approximately $4.5 million and $23.2 million annually for management and administrative services, while the hospital's revenues were deposited into Tower's checking account. The hospital also maintained executive compensation plans involving bonuses tied to financial performance, including compensation packages reaching millions of dollars. Justice Mundy concluded that these arrangements warranted consideration in determining whether the hospital operated entirely free from a private profit motive.

PROCEDURAL HISTORY

The Montgomery County Court of Common Pleas entered an order on October 8, 2021. The Commonwealth Court reversed that order on February 10, 2023, in No. 1217 CD 2021. The matter reached the Supreme Court of Pennsylvania at No. 95 MAP 2023. In dissent, Justice Mundy would have affirmed the Commonwealth Court's decision denying or rejecting the hospital's claimed exemption.

DISPOSITION

other

CASES CITED

- Hosp. Utilization Project v. Commonwealth, 487 A.2d 1306, 1312, 1317 (Pa. 1985)
- Sch. Dist. of Phila. v. Frankford Grocery Co., 103 A.2d 738, 741 (Pa. 1954)
- Wilson Area Sch. Dist. v. Easton Hosp., 747 A.2d 877, 880 (Pa. 2000)
- Erie Sch. Dist. v. Hamot Med. Ctr., 602 A.2d 407 (Pa. Cmwlth. 1992)
- Saint Joseph Hosp. v. Berks Cnty. Bd. of Assessment Appeals, 709 A.2d 928, 936 (Pa. Cmwlth. 1998)
- Phoebe Servs. v. City of Allentown, 262 A.3d 660, 670 (Pa. Cmwlth. 2021)
- Alliance Home of Carlisle v. Bd. of Assessment Appeals, 919 A.2d 206, 225 (Pa. 2007)
- SEPTA v. Bd. of Revision of Taxes, 833 A.2d 710, 713 (Pa. 2003)
- Pottstown Sch. Dist. v. Montgomery Cnty. Bd. of Assessment Appeals, 305 A.3d 959 (Pa. 2023) (per curiam)
- Pottstown Sch. Dist. v. Montgomery Cnty. Bd. of Assessment Appeals, 290 A.3d 1142, 1154 (Pa. Cmwlth. 2023)
- Brandywine Hosp., LLC v. Chester Cnty. Bd. of Assessment Appeals, 291 A.3d 467, 476, 480 (Pa. Cmwlth.), appeal denied, 308 A.3d 779 (Pa. 2023)
- Phoenixville Hosp. v. Chester Cnty. Bd. of Assessment Appeals, 293 A.3d 1248 (Table), 2023 WL 1871695, at *4 (Pa. Cmwlth. Feb. 10, 2023)
- Jennersville Hosp. v. Chester Cnty. Bd. of Assessment Appeals, 293 A.3d 1248 (Table), 2023 WL 1871695, at *4 (Pa. Cmwlth. Feb. 10, 2023)
- William Penn Sch. Dist. v. Dep't of Educ., 170 A.3d 414, 427 (Pa. 2017)

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