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BALTIMORE SCIENCE FICTION SOCIETY, INC. v. SDAT:

***An Organization not engaging in Formal or Systematic Instruction
Can Qualify as Serving an “Educational Purpose” and May
Therefore Be Eligible for Exemption from Property Taxes***

By: Ayodeji O. Badaki

In *Baltimore Science Fiction Society, Inc. v. SDAT*, 384 Md. 402, 863 A.2d 969 (2004), the Court of Appeals of Maryland held that an organization which does not engage in formal or systematic instruction can nevertheless qualify as serving an “educational purpose” and may therefore be eligible for an exemption from property taxes. *Id.* at 413, 863 A.2d at 975. In so holding, the Court expanded the definition of “educational purpose” to include actions by institutions other than schools or universities, thereby extending the exemption for property taxes to organizations that may not otherwise have been eligible. *Id.*

The Baltimore Science Fiction Society (“BSFS”) is a non-profit corporation organized “to promote the cultural and educational advancement of science fiction and fantasy.” *Id.* at 404, 863 A.2d at 970. In advancement of its stated goal, BSFS participates in various fairs and conferences, organizes writing workshops and contests, and maintains a modest library with books available for the general public to borrow. The organization is run entirely by volunteers who pay annual dues and donate their time to the society. The BSFS owns a building at 3310-12 East Baltimore Street and has paid property taxes on the building since it was purchased in 1991.

In August 2001, BSFS applied to the State Department of Assessment and Taxation (“SDAT”) for an exemption from paying property tax pursuant to §7-202(b) of the Property Tax Article (“Section 702(b)”) which provides, in relevant part, that property owned by a non-profit or charitable organization is not subject to property tax if it is used for a charitable or *educational purpose* (emphasis added). SDAT denied the exemption and that decision was affirmed by the Property Tax Appeals Board for Baltimore City. BSFS appealed to the Maryland Tax Court.

On appeal to the tax court, SDAT argued that the property did not qualify for the tax exemption because it was used primarily as a

social club, the organization's major activities are held off-site or occur only infrequently, and the existence of BSFS and its activities are not well known to the general public. Furthermore, SDAT contended that because the property was not being used for "systematic instruction," it was not being used for an "educational purpose" within the meaning of Section 7-202(b). The tax court rejected SDAT's criteria for defining educational purpose as too limited. Rather, the tax court held that the definition of "educational" should be broad enough to include cultural activities as well as traditional structured learning. The tax court therefore reversed the decision of SDAT and SDAT appealed to the Circuit Court for Baltimore City.

The circuit court rejected the tax court's definition of "educational purpose," opting instead for the narrow definition espoused by SDAT. The circuit court held that property is not used for an educational purpose unless it is used for "systematic instruction" in a "branch of learning." In reversing the decision of the tax court, the circuit court stated that it did not consider the promotion of science fiction as an operation of an educational institution and thus BSFS could not qualify for an exemption from property tax. BSFS appealed to the Court of Special Appeals, but the Court of Appeals of Maryland granted certiorari on its own initiative to address the issue of what constitutes an "educational purpose" for the purpose of determining qualification for property tax exemption.

The Court of Appeals began its analysis by looking at the statutory requirements for exemption from property tax under Section 7-202(b) of the Property Tax Article. *Id.* at 408, 863 A.2d at 972. The Court noted that to be eligible for the exemption, the property must be necessary for, and actually used primarily for a "charitable or educational purpose to promote the general welfare of the people of the state" and it must be owned by a "non-profit charitable, fraternal, educational, or literary organization." *Id.*

The court then addressed the appropriate standard for determining what constitutes an educational purpose. *Id.* at 408-13, 863 A.2d at 972-75. In considering this issue, the Court examined its previous decisions in *Friends School v. Supervisor*, 314 Md. 194, 550 A.2d 657 (1988) and *Comptroller v. Maryland State Bar*, 314 Md. 655, 552 A.2d 1268 (1989). *Id.* at 408-13, 863 A.2d at 972-75.

In *Friends School*, a superintendent's residence on the campus of the school was granted an exemption from property tax even though no educational activities were actually conducted in the residence. *Id.*

at 408, 863 A.2d at 973. The Court held that Section 702(b) requires only that the property for which the exemption is being sought be necessary and used for an educational purpose. *Id.* The statute does not require, however, that the educational activities actually take place on the particular property. *Id.*

In *Maryland State Bar*, the Bar Association of Maryland was deemed to be an educational institution despite the tax court's claim that the Bar Association's educational activities were "but an incidental by-product of the association's overall purpose." *Id.* at 410, 863 A.2d at 974. The court held the Bar Association provided a measure of systematic instruction to its members and to the general public and could therefore qualify as engaging in an educational purpose. *Id.*

The Court noted, however, that systematic instruction is not an exclusive standard for finding that an organization's activities are for an educational purpose. *Id.* at 412, 863 A.2d at 975. The court insisted that the showing of an educational purpose could include, but was certainly not limited to, systematic instruction. *Id.*

The Court defined the verb "educate" as meaning "to give knowledge or training or to teach or instruct *especially* by formal education." *Id.* (citing *Websters New Universal Unabridged Dictionary*, 576 (2nd ed. 1983)). This definition, the Court noted, allows for methods of imparting knowledge other than through formal education. *Id.* Thus activities such as those conducted by BSFS, which included writing workshops, literary competitions, presentations, and providing a library for public use, all constitute an educational purpose. *Id.* The Court, therefore, reversed the decision of the circuit court and held the BSFS property was in fact being used for an educational purpose. *Id.* at 413, 863 A.2d at 975.

The Court's decision in *Baltimore Science Fiction Society Inc.* marks a significant expansion of law particularly for Maryland's many not-for-profit organizations. Property taxes can often constitute a significant portion of a non-profit organization's annual budget. In adopting a broader definition for "educational purpose," the Court of Appeals has expanded the exemption from property tax to organizations which may not have otherwise qualified, but which nevertheless provide useful services to the community.