

**BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION  
ASSESSMENT APPEALS COMMISSION**

In re:

**ISLAMIC CENTER OF NASHVILLE**

Property ID: 114 00 0 146.00

Davidson County

SBOE No. 80212

Claim of Exemption

**FINAL DECISION AND ORDER**

**Statement of the Case**

The taxpayer has appealed the initial decision and order of the administrative judge who granted exemption of the subject property effective October 25, 2013. The appeal was heard in Nashville on March 9, 2016 before Commission members Jim Creecy (presiding), Mike Wills, and Jim Dooley.<sup>1</sup> Stephen Zralek, Esq. appeared on behalf of the taxpayer. He was assisted by Samar Ali, Esq. Jason Bobo, Esq. appeared on behalf of Davidson County and John Cantrell from the Davidson County Assessor's office also participated. Based on the arguments and the evidence of record, the Commission finds that the initial decision and order should be affirmed.

**Findings of Fact and Conclusions of Law**

The subject property has been used as a religious school from 1995 through the present. The State Board of Equalization granted exemption to all of the subject's improvements and 50% of the land effective July 3, 1996. In August of 2008, a new school building construction project commenced with the new building opening in December, 2008. The taxpayer opted not to pursue conventional financing for the construction project due to religious doctrinal concerns regarding interest bearing loans. Instead, the taxpayer entered into

---

<sup>1</sup> Mr. Dooley sat as an alternate for absent regular members, per Tenn. Code Ann. §4-5-302. Pursuant to Tenn. Code Ann. §4-5-301, a Board attorney sat with the Commission as administrative judge.

an agreement with Devon Bank, an out-of-state, for-profit financial services provider. As part of this arrangement, the taxpayer sold the subject property to DB Client Services LLC #204, an entity controlled by Devon Bank, for \$900,000. The transfer of title was evidenced by a warranty deed dated August 13, 2008. The Davidson County Assessor's office returned the property to the tax roll as of the date of the deed. After the balance of the purchase price was paid off, the taxpayer again acquired legal title to the subject property via a quitclaim deed dated October 25, 2013. The taxpayer filed an application for property tax exemption on February 26, 2014. At issue in this appeal is the ownership of the property during the period from August 13, 2008 to October 25, 2013 and the effective date granted by the administrative judge.

Mr. Zralek argued that, despite the transfer of title on August 13, 2008, the taxpayer effectively owned the subject property at all times. He contended that the agreement ("Ijara agreement") between Devon Bank and Islamic Center of Nashville was a secured lending transaction similar to an installment leasing agreement. This agreement allows financial institutions to fund purchases of property for those who seek to borrow money without violating Islamic law's prohibition against paying interest. He contended that the Ijara agreement used terminology that accurately described the arrangement between the parties, but conceded that the terminology in other documents was confusing. The Purchase Commitment referred to the taxpayer as the buyer while the Disbursement Request and Authorization referred to the taxpayer as both buyer and lessor.

Mr. Zralek stressed that the Commission should look at the "substance" of the transaction rather than the "form" and that relying on the transfer of title is looking at form over substance. Mr. Zralek relied heavily on rationale set forth in *Kopsombut-Myint & Buddhist Ctr. V. State Bd. Of Equalization*, 728 S.W. 2d 327. He argued that the substance of the agreement between the parties was that a trust was established with Devon Bank as the trustee, Islamic Center of Nashville as the beneficiary, and the school as the identifiable trust property. Mr. Bobo argued that the facts in this case are distinguishable from *Kopsombut-Myint* because Devon Bank entered into the agreement with the intent to make a profit. Furthermore, Mr. Bobo

disagreed with the taxpayer's substance over form analysis. He contended that the substance of the transaction was the warranty deed that conveyed ownership of the property. He stated that a warranty deed is a conveyance allowed under Tennessee law and that the legal transfer of title cannot simply be ignored.

While the Commission sympathizes with the taxpayer's sincere desire to comply with religious principles, we are unable to ignore the legal transfer of title. To do so would be to disregard clear provisions set forth in Tennessee law regarding conditions that must be met in order to obtain a property tax exemption. The Commission suggests that the proper avenue for addressing this issue is through legislative action. Accordingly, we affirm the decision of the administrative judge regarding the effective date of the exemption.

#### **ORDER**

By reason of the foregoing, it is ORDERED that the initial decision and order is affirmed.

This Order is subject to:

1. **Reconsideration by the Commission, in the Commission's discretion.**

Reconsideration must be requested in writing, stating specific grounds for relief and the request must be filed with the Executive Secretary of the State Board within fifteen (15) days from the date of this order.

2. **Review by the State Board of Equalization, in the Board's discretion.** This review

must be requested in writing, state specific grounds for relief and be filed with the Executive Secretary of the State Board within fifteen (15) days from the date of this order.

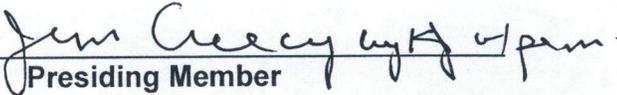
3. **Review by the Chancery Court of Davidson County or other venue as provided by**

**law.** A petition for review must be filed within sixty (60) days from the date this matter

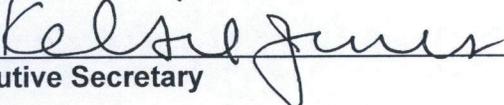
becomes final pursuant to T.C.A. § 67-5-1502. The date this matter becomes final for purposes of seeking judicial review will be posted at the Board's web site (inquire at [http://www.comptroller.tn.gov/SBOnlineReport/Appeal\\_Public.aspx](http://www.comptroller.tn.gov/SBOnlineReport/Appeal_Public.aspx) about 45 days after the order entry date below).

Requests for stay of effectiveness will not be accepted.

DATED: May 2, 2016

  
\_\_\_\_\_  
Presiding Member

ATTEST:

  
\_\_\_\_\_  
Executive Secretary

cc: Mr. Stephen Zralek, Esq.  
Mr. Jason Bobo, Esq.  
Mr. George Rooker, Davidson County Assessor of Property