

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING & REGULATORY AFFAIRS  
MICHIGAN ADMINISTRATIVE HEARING SYSTEM  
MICHIGAN TAX TRIBUNAL

Stahl's Automotive Foundation,  
Petitioner,

v

MTT Docket No. 451674

Chesterfield Township,  
Respondent.

Tribunal Judge Presiding  
David B. Marmon

FINAL OPINION AND JUDGMENT

INTRODUCTION

Petitioner, Stahl's Automotive Foundation, appeals the March 2013 Board of Review's denial of a requested charitable exemption from property taxation under MCL 211.7o of parcel number 015-09-04-203-009-00-00 (real property) and an exemption under MCL 211.9(1)(a) of parcel number 015-09-95-405-151-60-10 (personal property).

A hearing on this matter was held on January 8, 2015. Petitioner was represented by John C. Cashen and David Stone of Bodman PLC. Respondent was represented by Lawrence W. Dloski of Seibert and Dloski PLLC. Petitioner called three witnesses, and introduced 56 exhibits, admitted without objection. Respondent declined to call any witnesses, but the parties agreed to the admission of Respondent's 27 exhibits.<sup>1</sup>

Based on the evidence, testimony, briefs of each party ordered at the close of hearing and filed on February 11 and 12, 2015, and the case the file, the Tribunal finds:

The subject properties shall be granted an exemption, under MCL 211.7o and MCL 211.9(1)(a), for the 2013 and 2014 tax years in the amount of 100%.

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<sup>1</sup> Tr, at 105.

The subject properties' true cash values ("TCV"), state equalized values ("SEV") and taxable values ("TV") for the tax years at issue shall be as follows:

**Parcel Number:** 82-34-004-04-0141-001

Year	TCV/SEV/TV
2013	\$0
2014	\$0

**Parcel Number:** 015-09-95-405-151-60-10

Year	TCV/SEV/TV
2013	\$0
2014	\$0

**PETITIONER'S ADMITTED EXHIBITS**

All of Petitioner's exhibits were admitted without objection. Those exhibits are:

- P1 through P4: Notice of Assessment for both parcels for 2013 and 2014.
- P5 1/10/13 correspondence and application for exemption.
- P6 1/10/13 Correspondence from Assessor to Petitioner's counsel.
- P7 2013 Board of Review Decision.
- P8 Petitioner's Articles of Incorporation dated 12/05/2003.
- P9 Petitioner's Certificate of Amendment to Articles of Incorporation, dated 1/08/2009.
- P10 Petitioner's Certificate of Amendment to Articles of Incorporation, dated 2/25/2013.
- P11 Certificate of Assumed Name dated 6/8/2012 for Stahl's Collection.
- P12 Certificate of Assumed Name dated 6/8/2012 for Stahl's Automotive Museum.
- P13 IRS Determination Letter, determining Petitioner is exempt under Sec. 501(c)(3).
- P14 Video of Stahl's Automotive Museum.
- P15 Stahl's Automotive Foundation Annual Attendance
- P16 – P39 Photos of the subject property.
- P40 Stahl's Automotive pamphlet.
- P41 Stahl's Automotive Museum promotional card.
- P42 Stahl's Automotive Museum promotional card.
- P43 Stahl's Automotive Museum promotional piece.
- P44 List of representative visiting groups, 2012-2014.

- P45 Stahl's Automotive Foundation website screen shots.
- P46 Representative special event.
- P47 7/20/2012 Macomb Daily Article re: event in P46.
- P48 Representative newspaper article
- P49 Letter from Michigan Education Trust.
- P50 Facility Request Form
- P51 9/05/2014 Thank you note from tour of 8/28/2014.
- P52 8/26/14 letter from Edsel & Eleanor Ford House
- P53 Note from Ron Robert, Chippewa Valley Schools
- P54 6/10/2014 letter from Community Foundation of St. Clair County.
- P55 2010-2012 Inventory of vehicles.
- P56 Memorandum of land contract.

#### PETITIONER'S CONTENTIONS

Petitioner contends that it is “a classic car museum, which is designed to inspire and educate the public with respect to the development of the automotive industry and its affect [sic] on society[,]” which qualifies for a charitable exemption under MCL 211.7o for real property, and MCL 211.9(1)(a) for personal property.<sup>2</sup> Petitioner's first witness was Ted Stahl, Petitioner's creator and chief benefactor. Stahl testified about his background, growing up, and eventually becoming executive chairman of Group Stahl, a family business which specializes in “decoratives” for sporting goods such as numbers worn on uniforms, and is now on almost every continent. He testified to his working with mechanical things and love of history, which eventually led him to acquire a Model T Ford, which he and his children repaired. The Model T eventually led him and his children to car shows such as Eyes on Design, which led to more cars. Stahl testified that he noticed the effect of classic cars on his children:

That lead to just going to a car show when we were invited. It happened to be the Ivan [sic – Eyes On D]esign. As the cars go through the judging point after they have been judged, . . . I had no clue really at that time, neither did my sons – but I

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<sup>2</sup> Tr, at 6.

noticed that they were sitting there taking all this in. They didn't move. I mean, that's sort of unusual for young teen-agers – they were younger than that even – which that lead us to meeting people in the classic car world and acquiring a couple of more cars. . . . That's really how it got started.<sup>3</sup>

He eventually leased a building on Harper in St. Clair Shores to store vehicles. Coinciding with the Harper Cruise, Stahl began showing his small collection, explaining the uniqueness of the cars in his collection. Stahl stated:

I sort of explained the uniqueness of the cars. People don't really have a whole understanding of the car history and some of the features in cars. That sort of started it. . . . So we obtained a building in St. Clair Shores where we started displaying them and we built sort of a façade there. So it was more than just a row of cars; it was an atmosphere.<sup>4</sup>

Stahl testified as to why he formed Petitioner:

I had asked the attorney to create a charitable foundation, where we could actually donate some of these cars and actually started forming this evolving thing of a museum with the atmosphere around it. We realized rather quickly that people really – I can't explain the joy that people get when they come in and see these. So as you start soaking that in a bit, you realize that this thing at that point started to create its own entity in itself and its own direction, so we asked our attorney to create a charitable foundation so that if we were displaying these and anything happened, that we would have a legal end to it also.<sup>5</sup>

After testifying concerning Petitioner's founding, Stahl testified concerning the subject property's acquisition, its non-profit status, and its operations. Per Exhibit P8, Petitioner was organized as a Domestic Nonprofit Corporation in December, 2003. The purpose listed in Article II is as follows:

The purpose or purposes for which the corporation is organized are:

The corporation is organized exclusively for charitable, religious, educational and scientific purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code.

[continued on addendum]

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<sup>3</sup> Tr, at 17-18.

<sup>4</sup> Tr, at 18-19.

<sup>5</sup> Tr, at 19.

The purpose or purposes for which the Corporation is organized are to (a) accept, hold, invest, reinvest, and administer any gifts, bequests, devises, benefits of trust (but not to act as trustee of any trust), and property, real or personal, tangible or intangible, without limitation as to amount or value, and to sell, convey or otherwise dispose of any such property and to invest, reinvest, use, disburse, or donate the income or principal thereof for exclusively charitable purposes, as in the judgment of the directors, will best promote the purposes of the Corporation, *without limitation*, to give, convey or assign any of its property outright or upon lawful terms regarding the use thereof, to other organizations, provided that (1) such organization shall be organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals; (2) transfers of property to such organizations shall, to the extent then permitted under the statutes of the United States Government, be exempt from gift, succession, inheritance, estate or death taxes imposed by the United States Government, and (3) such organizations shall, to the extent then permitted under the statutes of the United States Government, be exempt from income taxes imposed by the United States Government; (b) to foster the educational opportunities for youth of America through the making of grants to educational institutions for the establishment of student grants and loan funds and through the making of direct grants or loans to individuals without interest to enable them to meet the expenses of higher education; (c) to the extent permitted by law, to exercise its rights, powers and privileges, to hold meetings of its Board of Directors, to have one or more offices, and to keep the books of the Corporation; and (d) alone or in cooperation with other persons or organizations to any and all lawful and things which may be necessary, useful, suitable, or proper for the furtherance, accomplishment, or attainment of any or all of the purposes or powers of the Corporation. [Emphasis added].

The original Articles do not specifically mention operating a museum as part of Petitioner's purpose. Those same articles provided for one director, Ted Stahl. The articles were amended in January 2009 to allow for 3 directors, rather than one director, (P9). Stahl testified that he expanded the numbers of directors so that his children would be more involved. The Articles were amended again in February 25, 2013, narrowing the stated purpose, and for the first time, mentioning the operation as a museum. Both the original articles and the amended articles provide that upon dissolution, the assets of the corporation shall be disposed of for exempt purposes under Section 501(c)(3) of the internal revenue code. Per Petitioner's P13, it received a determination letter, approving its 501(c)(3) status.

Petitioner submitted numerous photographs showing the automobiles and vintage mechanical musical instruments on display, (P16- P40). Petitioner also submitted a short video (P14) showing the interior of the building, the automobile collection, and a visit by the Wounded Warriors on Veteran's Day.<sup>6</sup> Stahl testified as to the purpose for which the museum operated:

The only purpose that we have is so – is to educate and to show the history through – with your eyes of automobiles. We have posters – not posters, we have specially made things we created that tell the history of Durant, General Motors, people in Detroit think everything developed around Ford and there is a lot more than that. We have been collecting cars that have significant engineering things or some that just create an atmosphere that – like we have a stagecoach that attracts a lot of attention, a lot of different items, such as an International Harvester. It's like cars that they would have used in Route 66, but the Oakies would have used to go to California, and it's got chickens and it's got pots hanging from it. The only thing that's missing is a mattress on the top of it. It tells a story. It helps tell that story of Route 66. . . .

We have monitors up, TV monitors, with everything from the history of Route 66 to the history of a Tucker.<sup>7</sup> . . .

Petitioner's Exhibit P43 also articulates the museum's purpose and mission, with headings such as "*An Educational Car Museum; Celebrating Engineering Achievements, An Impact on Society.*" P43 also describes seven different groupings of cars under the topics of "Depression Era Cars, The Need For Speed, Truck Into the Drive-In, California Here We Come! American Diner Experience, The Tucker Attraction and Interactive Children's Exhibit."

Stahl also testified regarding the purchase of the subject property, the hiring of three paid staff, including a curator and a mechanic, as well as 10-12 volunteer docents to explain the significance of the vehicles.<sup>8</sup> He testified that the hours are limited because of the staffing requirement, but indicated that the museum is frequently open by appointment, and over 5,000

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<sup>6</sup> Tr, at 49-52.

<sup>7</sup> Tr, at 35-36.

<sup>8</sup> Tr, at 37.

persons visited the premises last year.<sup>9</sup> He testified that he had personally donated cars, and that Group Stahl donates money to operate the museum and to acquire more cars. For the years under consideration, Petitioner owns 40 -41 vehicles, and Mr. Stahl has lent Petitioner an additional 60 vehicles from his personal collection.<sup>10</sup> Stahl testified that the vehicles owned by the museum are titled in its name, while his vehicles are lent subject to a loan agreement. Regarding the donated vehicles, both the articles and Stahl indicate that once donated, the vehicles can never be returned.<sup>11</sup> Frequently, the donated vehicles appreciate significantly after they are donated.

Stahl testified that Petitioner does not discriminate, and has never turned anyone away. Petitioner does not charge admission.<sup>12</sup> He testified as to various charitable groups that have attended the museum, or have dined there, and that the only fee charged was a nominal one to help defray the cost of putting on the event.<sup>13</sup>

Petitioner's next witness was John Lauter, who holds the title of social and education coordinator, with responsibilities involving the maintenance of the collection, the booking of groups that wish to use the museum for events, the arrangement of tours for individuals, and overseeing the maintenance and care of the automatic and musical instruments.<sup>14</sup> Previously he worked for Carail, a private museum owned by Richard Kughn, and the Walter P. Chrysler Museum.<sup>15</sup> He reiterated that the museum's purpose was educational concerning the evolution of the automobile and along with the some of the artifacts, to understand the time and context of

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<sup>9</sup> Tr, at 40-43, 103-104.

<sup>10</sup> Tr, at 50.

<sup>11</sup> Tr, at 53-54, 94.

<sup>12</sup> Tr, at 39.

<sup>13</sup> Tr, at 44.

<sup>14</sup> Tr, at 106.

<sup>15</sup> Tr, at 107-108.

each of the engineering events as they occur.<sup>16</sup> He testified at length regarding the various vehicles, exhibits and self-playing musical instruments and their historic and engineering significance.<sup>17</sup> He testified that there were a dozen volunteer docents, along with signage and video monitors giving information about the exhibits. He testified as to future plans of providing a QR code, whereby an interested individual can scan the code for vehicles of his or her particular interest, and receive more information.<sup>18</sup> He testified under cross of the differences between Petitioner and Richard Kughn's private collection, where the former is open to the public, is a non-profit corporation, and owns a significant portion of the vehicles displayed. In contrast, Kughn's collection was privately held by Kughn, not open to the public, and not non-profit status. Finally, he testified as to his availability to schedule tours for anyone interested.<sup>19</sup>

Petitioner's final witness was Jon Deimel, Petitioner's Chief Financial Officer. He testified that Petitioner is separately managed from Group Stahl, and that there is no intermingling of finances.<sup>20</sup> Petitioner has its own outside accountant and pays nothing to Ted Stahl or his children. Deimel testified that for cars donated to Petitioner by Ted Stahl, the vehicle is booked based upon a current appraisal performed by an IRS certified appraiser.<sup>21</sup> Other vehicles are acquired by the museum from contributions made by Group Stahl to the museum, which also donates money that operates the museum. He testified that he reviews appraisals of cars on a regular basis to determine the current worth of the collection and agreed that the financial statements indicated that the collection has increased in value by \$2.7 million. Moreover, all of that appreciation goes to Petitioner.<sup>22</sup>

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<sup>16</sup> Tr, at 108-109.

<sup>17</sup> Tr, at 110-121.

<sup>18</sup> Tr, at 129-130.

<sup>19</sup> Tr, at 132-133.

<sup>20</sup> Tr, at 136.

<sup>21</sup> Tr, at 138.

<sup>22</sup> Tr, at 142.



#### RESPONDENT'S ADMITTED EXHIBITS

The following Exhibits were admitted without objection:

R1-R4 Record cards of each parcel for 2012 and 2014.

R5 Stahl's Automotive Foundation Articles of Incorporation.

R6 - R10 Corporate Updates for Petitioner.

R11 Amendment to Articles of Incorporation 2009.

R12 – R14, R16, and R21-R22 Corporate updates.

R15 Certificate of Assumed Name, 2012.

R17 Land Contract dated 12/31/2012.

R18 Application for Tax Exemption, dated 1/10/2013.

R19 Letter from Assessor to Petitioner's counsel dated 2/6/2013.

R20 Amendment to Articles of Incorporation dated 2/27/2013.

R23 2010-2013 Inventory of vehicles.

R24 Donations to Foundation.

R25 Petitioner's balance sheet.

R26 Petitioner's Income Statement

P27 Articles of Incorporation and Corporate filings for Kalamazoo Aviation History Museum.

#### RESPONDENT'S CONTENTIONS

Respondent contends that in effect, Petitioner is a tax dodge for, and mere alter-ego of Ted Stahl, and does not qualify for charitable exemptions because it is housed in an industrial park without much signage, and does not operate solely for the purposes for which that nonprofit

charitable institution was incorporated. Specifically, Respondent argues that until February of 2013, the operation of a museum was not included in its Articles of Incorporation. Further, other activities listed in its Articles whether charitable or not, were not carried out, and in any case, Petitioner was not organized chiefly for charity. Respondent also argued that Ted Stahl benefitted or received federal tax deductions for its contributions to Petitioner, and at a minimum received a place to park his collection. Finally, Respondent argues that Petitioner's hours are too limited for it to benefit the public. Respondent called no witnesses. In cross of Ted Stahl, he noted that the Articles had stated various charitable purposes, and none of them specifically mentions a museum. Further, there are purposes mentioned that Petitioner has never undertaken, such as giving grants for educational opportunities.<sup>23</sup> Stahl admitted that Group Stahl receives the benefit of a tax deduction for funds donated to Petitioner.<sup>24</sup> Stahl also admitted that there was no visibility from 26 Mile Road, and that the only sign in front of the building reads "Stahls."<sup>25</sup> In his cross of Lauter, Respondent's counsel attempted to make the point that the hours were too restrictive:

Q. So if I am a member of the general public and I happen to find the museum and I try to get in on a day when nothing is planned, the door's locked and I can't get?

A. There is a doorbell you can ring, yes, but the door is locked.<sup>26</sup>

That volley led to the following colloquy on redirect:

Q. If someone rings the doorbell, do you answer it?

A. We answer it.

Q. And when someone's at the locked door, the phone number is on the door, isn't it?

A. It is on the door.

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<sup>23</sup> Tr, at 73-75.

<sup>24</sup> Tr, at 73.

<sup>25</sup> Tr, at 96-97.

<sup>26</sup> Tr, at 133.

- Q. They could call – when they find the door’s not opened, they call and you are going to answer the phone, aren’t you?  
A. That’s correct.<sup>27</sup>

Respondent’s cross of Jon Deimel was short, and did elicit that no other person or entity donates cash or cars other than Stahl’s, Inc.<sup>28</sup>

#### FINDINGS OF FACT

1. Petitioner is a non-profit corporation.
2. Petitioner was founded by Ted Stahl, who originally was its only Director, and now, for the years under appeal, one of several directors, as well as Petitioner’s chief strategist.
3. Petitioner has been recognized by the Internal Revenue Service as having tax exempt status under section 501(c)(3) of the Internal Revenue Code.
4. Petitioner is the land contract vendee of the subject property.
5. Petitioner operates an automotive museum.
6. The subject property is exclusively occupied by Petitioner.
7. Petitioner has hosted fundraisers for a variety of other charities.
8. Petitioner does not charge admission.
9. Petitioner runs no other business out of the subject property.
10. Petitioner’s Articles of Incorporation as filed in 2003 give it broad purpose to partake in various charitable activities, but does not specifically mention the operation of a museum.
11. Petitioner’s 2013 Amended Articles specifically mention running an automotive museum.
12. Petitioner’s original and its amended Articles of Incorporation prohibit the return of cash or items donated to the donor.

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<sup>27</sup> Tr, at 134.

<sup>28</sup> Tr, at 144.

13. Petitioner is exclusively funded by donations from Group Stahl, and has received donations of vehicles exclusively from Ted Stahl.
14. The foundation does not discriminate with respect to guests and has never turned anyone away.
15. Group Stahl receives a tax deduction for donations made to the museum.
16. Approximately 60 vehicles on display are owned by Ted Stahl, while approximately 40 vehicles on display are owned by Petitioner.
17. Petitioner has 3 permanent employees, and 10-12 volunteer docents.
18. Petitioner is open weekly on Tuesday afternoons, is staffed at least 40 hours per week, and is open by appointment.
19. Over 4000 persons visited the subject in 2013, and over 5000 persons visited in 2014.
20. The subject property has been the subject of media stories.

#### CONCLUSIONS OF LAW

Petitioner is a non-profit organization recognized as such by the IRS under Section 501(c)(3) of the Internal Revenue Code. While having this recognition is a prerequisite to receiving a charitable exemption from property taxation, it is not the only requirement.

MCL 211.7o<sup>29</sup> sets forth the requirements for exemption from property taxes as a charitable organization:

- (1) Real or personal property owned and occupied by a nonprofit charitable institution while occupied by that nonprofit charitable institution solely for the purposes for which that nonprofit charitable institution was incorporated is exempt from the collection of taxes under this act.

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<sup>29</sup> MCL 211.9(1)(a) applies to only personal property and uses similar language. These statutes overlap when it comes to personal property.

Petitioner meets the first statutory requirement of ownership, having purchased the building on land contract on December 31, 2012. (P56). The second statutory test is whether or not Petitioner occupies the subject property. The Supreme Court in *Liberty Hill v. City of Livonia*<sup>30</sup> held occupancy is a separate requirement from ownership, and defined occupancy as “at a minimum [to] have a regular physical presence on the property.” Here, there was uncontroverted testimony that Petitioner’s property was in the museum; that neon signage and other fixtures belonging to Petitioner were installed in the building, and Petitioner’s staff is present on the premises for forty plus hours each week.<sup>31</sup>

The tests laid out to determine whether a corporation is a charitable institution are contained in *Wexford Medical Group v. City of Cadillac*,<sup>32</sup> as follows:

- (1) A “charitable institution” must be a nonprofit institution.
- (2) A “charitable institution” is one that is organized chiefly, if not solely, for charity.
- (3) A “charitable institution” does not offer its charity on a discriminatory basis by choosing who, among the group it purports to serve, deserves the services. Rather, a “charitable institution” serves any person who needs the particular type of charity being offered.
- (4) A “charitable institution” brings people's minds or hearts under the influence of education or religion; relieves people's bodies from disease, suffering, or constraint; assists people to establish themselves for life; erects or maintains public buildings or works; or otherwise lessens the burdens of government.
- (5) A “charitable institution” can charge for its services as long as the charges are not more than what is needed for its successful maintenance.
- (6) A “charitable institution” need not meet any monetary threshold of charity to merit the charitable institution exemption; rather, if the overall nature of the institution is charitable, it is a “charitable institution” regardless of how much money it devotes to charitable activities in a particular year.

In reviewing the six requirements found in *Wexford*, the Tribunal holds that Petitioner qualifies as a charitable institution. There was sufficient evidence to meet the first requirement of being a *non-profit institution*. Exhibits P8, P9 and P10, (Articles of Incorporation) establish

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<sup>30</sup> 480 Mich 44,58; 746 NW2d 282 (2008).

<sup>31</sup> Tr, at 42.

<sup>32</sup> 474 Mich 192, 215; 713 NW2d 734 (2006).

that Petitioner is incorporated as a non-profit institution. Exhibit P13 establishes that Petitioner is recognized as a non-profit institution by the Internal Revenue Service. Finally, Ted Stahl testified that there is no admission charge for individuals. For groups, both Stahl and Lauter testified that any charges for events merely helped defray the costs of those events. Those facts also satisfy requirement 5 under *Wexford* that allows fees as long as no more is charged than what is needed for successful maintenance.

The second requirement under *Wexford* is that Petitioner be organized “*chiefly, if not solely, for charity.*” Here again, the Articles of Incorporation indicate that Petitioner’s sole purpose is charity. Petitioner’s original Articles state:

The purpose or purposes for which the corporation is organized are:  
The corporation is organized exclusively for charitable, religious, educational and scientific purposes . . .

There was no evidence that Petitioner was used for anything other than as a museum. Respondent attempted to argue that the building was a mere warehouse for Ted Stahl’s car collection, rather than a charitable institution. Stahl admitted that there was not much in the way of signage, and that the building was in an industrial park. However, Petitioner can easily be found on the internet and has a website, most of which is reproduced in P45. The photographs and testimony establish that the subject has atmospherics including a mockup of a Big Boy restaurant, functioning neon signs, and vintage gas pumps. The premises have a collection of self-playing vintage musical instruments, which play for visitors. It has docents. Its guest book shows that over 4,000 persons visited the premises in 2013, and over 5,000 persons visited it in 2014. In short, it has everything a museum typically has (with the exception of a gift shop), refuting Respondent’s argument that it is a mere warehouse for Mr. Stahl’s collection.

Respondent also argued that Petitioner was not chiefly organized for charitable purposes because it benefitted Group Stahl, which indirectly benefitted Ted Stahl, Petitioner's founder. While it is true that Group Stahl receives the benefit of a deduction from its taxes for donations to the charity, that benefit comes at a cost – the actual amount of money donated. As Petitioner points out in its Brief, Group Stahl and Ted Stahl did nothing improper. Rather, Ted Stahl and Group Stahl are complying with a practice encouraged by federal tax law. Petitioner is not the first case of a charitable institution or non-government owned museum being primarily funded by family or corporate endowments. See *Edsel & Eleanor Ford House v. Village of Grosse Pointe Shores*.<sup>33</sup> In *Ford House*, to ensure that her wishes were carried out, Mrs. Ford left an endowment of \$15,000,000 for the maintenance and preservation of the property. The court stated:

Pursuant to the terms of the will, a foundation, the petitioner herein, was formed, headed by a board of trustees composed primarily of Ford family members. The board was vested with the authority to develop policy, approve budgets, and monitor activities on the property. Articles of incorporation were filed for a nonprofit corporation; and in 1978, after extensive alterations and renovations, the house was opened to the public. The policies established by the board, in accordance with the terms of Mrs. Ford's will, provided that any nonprofit group was allowed to use the house for functions having an educational, charitable, cultural or civic purpose, but excluding all commercial [redacted] functions or those aimed at promoting the sponsoring corporation.<sup>34</sup>

The court found nothing offensive in the relationship between the Fords and the Ford House that would void its qualification for an exemption under MCL 211.7o.

Further, when Mr. Stahl donates a classic car, or musical instrument to Petitioner, he parts with it permanently. As shown by financial statements and testimony of Mr. Deimel, these items have appreciated significantly. Per Petitioner's articles, neither Ted Stahl, nor Group Stahl

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<sup>33</sup> 134 Mich App 448, 453; 350 NW2d 894 (1984).

<sup>34</sup> *Id.*, p. 453-454.

can get them back, as they are required upon dissolution to be distributed to other charitable organizations. This fact also dispels the argument that Stahl is gaining the privilege of “free parking” for much of his collection. As to the donated items, Stahl loses any benefit of appreciation. An increase of \$2.6 million in appreciation can hardly be characterized as “free.” As to items that Stahl retains ownership of, the cost of warehousing these items pales compared to the cost of housing them in a museum open to the public.<sup>35</sup> Accordingly, the Tribunal finds that the chief purpose of Petitioner is charitable.

The third *Wexford* requirement prohibits the offer of charity on a *discriminatory basis*. Respondent argues that the restricted hours of only being open on Tuesdays is discriminatory; presumably against those who hold jobs or go to school. However, there was testimony explaining that a crew of eight persons needs to be on hand before the museum can open its doors. There was ample testimony that the museum is also open by appointment, and importantly, that no one has ever been turned away who wishes to see the collection in the museum. Accordingly, the Tribunal finds that Petitioner meets this requirement. Per P15, over 4,000 visitors signed the museums book in 2013, and over 5,000 signed its book in 2014. Clearly, the benefit of the museum has been shared with more than Ted Stahl and his family.

The fourth *Wexford* requirement is that it “brings people's minds or hearts under the influence of education or religion; relieves people's bodies from disease, suffering, or constraint; assists people to establish themselves for life; erects or maintains public buildings or works; or otherwise lessens the burdens of government.” A museum is not a church, school, hospital, soup kitchen, nor in this case, a publicly owned building. However, museums may meet this

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<sup>35</sup> See R26, showing the cost and cash flow requirements for 12/31/2009 through 12/31/2013. The expenses run in 6 to 7 figures per year.



requirement. In *Kalamazoo Aviation History Museum v City of Kalamazoo*,<sup>36</sup> the Court of Appeals stated:

It is evident from the Supreme Court's definition that, when used in reference to tax exemptions, the word "charitable" has a much broader meaning than that commonly associated with the word. For petitioner to qualify as a charitable institution it is sufficient that it establish that its property is used in such a way that there is a gift for the benefit of the general public without restriction or for the benefit of an indefinite number of persons by bringing their minds or hearts under the influence of education. We believe museums such as petitioner's satisfy this standard.<sup>37</sup>

Michigan is the birthplace of the auto industry. Ford, General Motors and Chrysler, along with many independent auto makers got their start in this state. The car's impact on the world is perhaps incalculable. The auto industry has had a significant role in Michigan's economy for over 100 years. While Michigan has several automotive museums, Petitioner established at hearing that its museum offers through its organized display of 100 vehicles, as well as its docents, videos, self-playing instruments, displays and atmosphere, lessons in our state's engineering genius, and its effect on culture and society. The museum's mission is akin to that of the Kalamazoo Aviation Museum, which was also found to benefit the public by bringing their hearts and minds under the influence of education. Museums *show as well as tell* guests about history. As the Kalamazoo Aviation Museum shows and tells the public of aircraft's role in winning World War II, including local contributions to this effort, Stahl's Foundation shows and tells the public about the development and evolution of the automobile. The vehicles grouped and displayed by Petitioner bring the same benefit to an indefinite number of persons, regarding the automobile in the 20<sup>th</sup> Century. Accordingly, the Tribunal finds that the fourth requirement under *Wexford* has been met by Petitioner.

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<sup>36</sup> 131 Mich App 709; 346 NW2d 862 (1984).

<sup>37</sup> *Id.*, p. 716.

The sixth requirement under *Wexford* is not so much a requirement, as a declaration that there is no specific monetary threshold. Rather, if the overall nature of the institution is charitable, it is a charitable institution. In *Wexford*, the Court found that Petitioner qualified as a charitable institution, even though a very small percentage of persons it treated were treated without charge. Rather, the Court held that by its very mission, a hospital qualifies as a charitable institution. The same can be said for a museum. Museums exist to educate the public by showing them objects and artifacts from different eras. Just as paintings, or pottery fragments inform the public of achievements and how people lived at the time of an artifact's creation, Petitioner's antique automobiles and self-playing instruments inform the public of the achievements and culture of early to mid-20<sup>th</sup> century America. Moreover, in the case of Petitioner, no fee is typically charged any guest. When a dinner or meeting is hosted, the charges, per Lauter's testimony, only go towards defraying some of the costs of hosting. Accordingly, all six of the *Wexford* requirements have been met.

Aside from the requirements listed in *Wexford*, the inquiry under MCL 211.7o has another requirement. Specifically, the statute requires occupancy by "that nonprofit charitable institution solely for the purposes for which that nonprofit charitable institution was incorporated." Respondent argues that at least for tax year 2013, Petitioner's Articles stated charitable purposes that were much broader and encompassed charitable purposes which Petitioner did not engage in. Specifically, Respondent seized upon the following language in Petitioner's 2003 Articles:

to give, convey or assign any of its property outright or upon lawful terms regarding the use thereof, to other organizations, provided that (1) such organization shall be organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

Respondent argued that because the operation of a museum was not specifically stated, and because there was language concerning religious organizations and prevention of cruelty to animals, Petitioner did not occupy solely for the purposes for which it was incorporated. The Tribunal rejects this argument. It has long been held on this issue that “bare reliance on one portion of the articles of incorporation does not represent a decision supported by competent, material and substantial evidence.” *Association of Little Friends v. Escanaba*.<sup>38</sup> In *Little Friends*, Petitioner was organized in part as a preschool. The Court of Appeals held that the Tribunal must consider the charitable or benevolent nature of Petitioner’s activities, and not focus strictly upon what is stated in the Articles of Incorporation. Here, there was ample evidence to show that Petitioner was organized for charitable purposes, and its activity of running a museum and occasionally hosting events for charitable groups is a charitable or benevolent activity. The fact that its Articles were overly broad does not disqualify Petitioner from an exemption under the statute.

Respondent cites the unpublished decision of *Boyne Area Gymnastics v. Boyne City*<sup>39</sup> for the proposition that purposes inconsistent with a corporation’s articles of incorporation exclude it from receiving an exemption. However, *Boyne Area Gymnastics*’ is distinguishable, in that the purpose of that entity was “to organize gymnastics.” Organizing gymnastics is wholly different than operating a museum. Both the court and the Tribunal were also troubled in that decision by Appellant’s lack of scholarship policy.

Finally, Respondent argued that Ted Stahl was so intertwined with the museum, that the entity itself should be disregarded. This argument ignores long standing case law in this state, respecting corporations, and other non-human legal entities as separate entities. In *International*

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<sup>38</sup> 138 Mich App 302, 310; 360 NW2d 602 (1984).

<sup>39</sup> Unpublished opinion per curiam of the Court of Appeals issued May 15, 2012 (Docket No. 303590).

*Millennium Consultants v. Taycom Business Solutions*,<sup>40</sup> the U.S. District Court for the Eastern District of Michigan summarizes Michigan’s law respecting a corporate entity’s separate identity:

In Michigan, piercing cases may be divided for analytical purposes into two categories. The first category includes traditional attempts by contract and tort creditors to disregard corporate entity, typically for purposes of obtaining recourse against the shareholders. The second category involves more unusual situations in which “reverse piercing” is attempted—that is, where the shareholder or the corporation seeks to deny the separate entity of the corporation. Schulman at § 3.9(c), p. 60.1. The present case involves precisely the first of the two categories.

“In the first category of cases, there have been a significant number of decisions under 14 Michigan law that illustrate judicial attitudes toward creditor efforts to seek recourse against shareholders.” *Id.* For example, in *Soloman v. W. Hills Dev. Co.*, 110 Mich.App. 257, 312 N.W.2d 428 (1981), the Michigan Court of Appeals held that “[d]isregard of corporate formalities alone is not ... sufficient to justify piercing. In addition, fraud, illegality, or injustice need be shown as set forth in *Kline*.” [Footnote omitted]. 110 Mich.App. at 263, 312 N.W.2d 428. *See also Aero-Motive Co.*, 2001 WL 1699191, at 6 (“[f]ailure to follow corporate formalities alone is not sufficient to justify piercing the corporate veil”). Similarly, in *Maki v. Copper Range Co.*, 121 Mich.App. 518, 328 N.W.2d 430 (1982), the Michigan Court of Appeals “held that the separate entity of a subsidiary is not to be disregarded unless it was a mere instrumentality of its parent, and the parent exercised its control in a manner to defraud or wrong plaintiff with resultant unjust loss.” Schulman at § 3.9(c), p. 62 (footnote omitted).

Cases such as *Soloman* and *Maki* suggest that the Michigan courts will normally require more than a disregard of corporate formalities or the domination of a corporation by its shareholders before the corporate entity will be disregarded. Some additional element pointing to the justice of such result should also exist. *Id.*

“Another ... illustration of appropriate circumstances for piercing is found in the Michigan Court of Appeals decision in *Sorensen v. Schuman*,” No. 139785 (Mich. Ct.App. June 8, 1994). Schulman at § 3.9(c), p. 65. There, “[t]he appellate court reversed the trial court and disregarded the corporate entity when, among other factors, the corporation was ‘grossly {"pageset": "S7e7f undercapitalized’ and corporate assets were depleted after the shareholder received notice of the plaintiff’s injuries and impending claim.” *Id.* at § 3.9(c), p. 65–66.

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<sup>40</sup> 692 F. Supp2d 733,743-744 (E.D. Mich 2010), reversed in part, 463 Fed. Appx. 506 (6<sup>th</sup> Cir 2012). The Sixth Circuit Court of Appeals held that the district court went too far in piercing the corporate veil after judgment had already been entered.

In *Daymon v. Fuhrman*, No. 249007, 2004 WL 2238596, at 1 (Mich.Ct.App. Oct. 5, 2004) (per curiam) (unpublished), the appellate court upheld the trial court's determination that the defendant-shareholder was a "mere instrumentality" of his corporation when "[i]t was undisputed that for years defendant utilized the corporation to pay his personal bills." The Court of Appeals acknowledged the testimony of defendant's expert to the effect that "defendant properly accounted for each and every such transaction," but refused to disturb the trial court's finding that the defendant's "reconciliation of his 'personal revolving account' or 'shareholder loan account' with the corporation is unpersuasive." *Id.* Moreover, the appellate court concluded that "the record supports the trial court's finding that defendant's use of the corporate checking account was done without contemporaneous shareholder loan or corporate documentation."   
*Id.*

#### C. Discussion

As noted above, "Michigan courts will not pierce the corporate veil unless (1) the corporate entity was a mere instrumentality of another entity or individual; (2) the corporate entity was used to commit a fraud or wrong; and (3) the plaintiff suffered an unjust loss." *Servo Kinetics, Inc.*, 475 F.3d at 798 (citing cases). In analyzing these three general factors, courts frequently consider more specific factors such as "undercapitalization of the corporation, the maintenance of separate books, the separation of corporate and individual finances, the use of the corporation to support fraud or illegality, the honoring of corporate formalities, and whether the corporation is merely a sham." *Aguirre*, 410 F.3d at 302–303.

Here, while argued by Respondent, no evidence was presented to show that the corporate entity was used to commit a fraud or wrong, or that anyone would suffer an unjust loss. While the evidence shows that Petitioner was created by Ted Stahl, who has been a major contributor and actively involved in Petitioner, Respondent has failed to show that Petitioner was Stahl's alter-ego. The admission by Mr. Stahl that he did not hold formal Director's Meetings when he was the sole director is not enough under Michigan law to disregard the entity. Stahl's vehicles were lent pursuant to a written loan agreement. Group Stahl provided the funding for Petitioner. There was absolutely no evidence presented showing that Ted Stahl and Group Stahl were interchangeable. As it was Group Stahl that funds the museum, Respondent cannot prevail on this point without evidence, as opposed to argument. There was undisputed testimony that Group

Stahl and Petitioner have separate accounts, and separate accounting, and that their assets are not co-mingled. There was testimony that Ted Stahl's items are loaned pursuant to loan agreements, and donations from Mr. Stahl are appraised and documented. Accordingly, Respondent's argument that Petitioner should be disregarded as an entity is entirely baseless.

Respondent does cite a case from 1984, where the Tribunal found against a petitioner who owned a marina, and attempted to exempt the property because a sunken ship from 1846 was raised, docked and exhibited on the premises. *Mystery Ship Preservation Society v. City of Menominee*.<sup>41</sup> However, the Tribunal found in that case the owners who lived on the premises, did not treat Petitioner as a separate entity. *Mystery Ship* is not binding precedent. It also incorrectly states the standard of proof as "beyond a reasonable doubt;" a standard that is no longer the standard for determining if property is exempt. Rather, the standard of proof is a preponderance of the evidence. *ProMed Healthcare c. City of Kalamazoo*<sup>42</sup> *Holland Home v. City of Grand Rapids*.<sup>43</sup> To the extent it is still relevant, or persuasive, it is also distinguishable on its facts. Here, Petitioner has hired a curator and staff, and most certainly does not live on the premises. Accordingly, the Tribunal finds *Mystery Ship* to be wholly unpersuasive in this matter. In conclusion, the Tribunal holds that Petitioner has met the requirements for exemption from property taxes under MCL 211.7o and MCL 211.9(1)(a).

#### JUDGMENT

IT IS ORDERED that the property's state equalized and taxable values for the tax years at issue are as set forth in the Introduction section of this Final Opinion and Judgment.

IT IS FURTHER ORDERED that the officer charged with maintaining the assessment rolls for the tax years at issue shall correct or cause the assessment rolls to be corrected to reflect the property's true cash and taxable values as finally shown in this Final Opinion and Judgment

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<sup>41</sup> 3 MTT 323 (1984).

<sup>42</sup> 249 Mich App 490; 644 NW2d 47 (2002)

<sup>43</sup> 219 Mich App 384; 557 NW2d 118 (1996).

within 20 days of the entry of the Final Opinion and Judgment, subject to the processes of equalization. See MCL 205.755. To the extent that the final level of assessment for a given year has not yet been determined and published, the assessment rolls shall be corrected once the final level is published or becomes known.

IT IS FURTHER ORDERED that the officer charged with collecting or refunding the affected taxes shall collect taxes and any applicable interest or issue a refund within 28 days of entry of this Final Opinion and Judgment. If a refund is warranted, it shall include a proportionate share of any property tax administration fees paid and penalty and interest paid on delinquent taxes. The refund shall also separately indicate the amount of the taxes, fees, penalties, and interest being refunded. A sum determined by the Tribunal to have been unlawfully paid shall bear interest from the date of payment to the date of judgment, and the judgment shall bear interest to the date of its payment. A sum determined by the Tribunal to have been underpaid shall not bear interest for any time period prior to 28 days after the issuance of this Final Opinion and Judgment. Pursuant to MCL 205.737, interest shall accrue (i) after December 31, 2009, at the rate of 1.23% for calendar year 2010, (ii) after December 31, 2010, at the rate of 1.12% for calendar year 2011, (iii) after December 31, 2011, and prior to July 1, 2012, at the rate of 1.09%, and (iv) after June 30, 2012, through June 30, 2015, at the rate of 4.25%.

This Final Opinion and Judgment resolves all pending claims in this matter and closes this case.

By: David B. Marmon

Entered: March 17, 2015