



**JOHN W. COVERT CHAPTER 47** Chartered June 14, 1937

**D I S A B L E D A M E R I C A N V E T E R A N S**

P.O. BOX 388 ★ EAST LIVERPOOL, OH ★ 43920

Senate of Ohio Ways and Means Committee

HB 24

January 24, 2018

Testimony by Kenneth G. Kennedy, John W. Covert, Chapter #47, DAV (Disabled American Veterans)

Chairman Eklund and Ranking Minority Member Williams of the Senate Ways and Means Committee.

My name is **KENNETH G. KENNEDY**, age 68, and I am a Disabled American Veteran. I am a member of the John W. Covert, Chapter # 47 DAV, (Disabled American Veterans) located in East Liverpool, Columbiana County, Ohio.

I have held many official positions in Chapter #47 including Junior Vice Commander and Senior Vice Commander.

John W. Covert, Chapter #47 DAV (Disabled American Veterans) was incorporated as a Non-Profit Ohio Corporation on May 31, 1978 and has been in good standing since that date.

It's Articles of Incorporation states:

“The Purpose or purposes for which said corporation is formed are: To uphold and maintain the Constitution and the laws of the United States; to realize the true American ideals and aims for which those eligible to membership fought; to advance the interests and work for the betterment of all wounded, gassed, injured and disabled veterans; to cooperate with the United States Veterans Administration and all other public and private agencies devoted to the cause of improving and advancing the condition, health and interest of all wounded, gassed, injured and disabled veterans’ to stimulate a feeling of mutual devotion, helpfulness and comradeship among all wounded, gassed, injured and disabled veterans; to serve our comrades, our communities and our country; and to encourage in all people that spirit of understanding which will guard against future wars; and to do all things necessary and incident thereto.

In January 1942 the Disabled American Veterans National Organization was granted a determination by the IRS that it was federal tax exempt under Section 501(C)(4) of the Internal Revenue Code. The IRS recognized subordinate organizations were also tax exempt and the DAV National Organization has recognized Chapter #47 as a beneficial subordinate unit and to be tax exempt under Section 501(C)(4) of the Internal Revenue Code. (See Exhibit 1 and 1(A) dated May 20, 2015 from DAV National Headquarters)

Chapter #47 has been located at its present address at **617 Broadway**, East Liverpool since 1978. It's Building - Meeting Hall consists of a members room, an auxiliary members room, men's and women's restrooms which are handicap accessible and the building complies with the Americans with Disabilities Act. Chapter #47 does not have a liquor license nor lottery license. Chapter #47's principal fund raising are its members dues and the annual sale of the Commemorative WWI Disabled Veterans Forget-Me-Not lapel flowers which are purchased from the National DAV for resale by the local chapters. The members social activities are after the monthly meetings when Chapter #47 DAV serves a luncheon to its members, and otherwise, the members may meet to discuss current events, family, friends, politics, sports, charity, good works or just exchange their often repeated War Stories. Chapter #47 presently has approximately 200 members with about 25 active members. Its location at **617 Broadway** has been awarded an Exemption from Ohio Real Estate Taxes.

The subject property at **619 Broadway** and adjacent to the Chapter Building's Meeting Hall was acquired by a Quit-Claim Deed dated January 25, 2013. In 2015, the building was razed. The lot remaining was approximately 40' x 60'; the lot has been used exclusively by Chapter #47 for the DAV Chapters non-profit charitable purpose; and the lot has not been open for public use or activities. Chapter #47 had the intention and did erect a Memorial Monument "Dedicated To

All American Veterans Wounded in All Wars and Conflicts”. It was dedicated on August 20, 2016. (See Exhibit 2(A) – East Liverpool Review article and Exhibits 2(B) and 2(C) photos)

Chapter #47 had filed an Application for Real Property Tax Exemption and Remission under ORC 5709.17 for the lot at **619 Broadway**. The Tax Commissioner in his Final Determination of October 8, 2015 denied the Application by concluding:

“Hence the applicant organization is exempt under Internal Revenue Code Section 501(C)(4), not 501(C)(19)or(23) as designated in RC 5709.17(B). Therefore the property does not satisfy the requirements of R.C. 5709.17(B) for tax year 2015”  
(Exhibit 3 *Commissioners Final Determination*)

The Ohio Board of Tax Appeals in its Decision and Order on September 19, 2016, affirmed the Final Determination of the Tax Commissioner and stated:

“In its Notice of Appeal, DAV does not dispute the Commissioners conclusions, instead attempting to explain why it can “never qualify for exemptions under R.C. 5709.17(B) because it is unable and/or unwilling to take actions to convert to a 501(C)(19) organization. DAV admittedly does not meet the statutory provisions required for exemption pursuant to R.C. 5709.17(B) but “submits the decision of the Tax Commissioner by his strict and rigid interpretation \*\*\* is unreasonable and unlawful.”

Based upon the foregoing, it is clear that DAV does not qualify for exemption pursuant to R.C. 5709.17(B). While DAV suggests that the Board should somehow interpret such section to allow for exemption. “There is no authority under any rule of statutory construction to add to, enlarge, supply, expand, extend or improve the provisions of the statute to meet a situation not provided for” \*\*\* Our obligation is to apply the statute as written.”  
(Ohio Board of Tax Appeals *Decision and Order p2*)

Section 501 (c)(19) is a subsection of the Internal Revenue Code that provides a Tax Exemption to “Veteran’s Organizations”. On its face, it would appear that all Veterans Organizations would seek exemption under this section. However, the DAV National Organization is tax exempt under §501 (c)(4) of the Internal Revenue Code. §501 (c)(4) pertains to “Social Welfare Organizations including certain War Veterans’ Organizations”. There are two reasons why DAV is not exempt under §501 (c)(19). One reason is historical and the other reason is substantive.

The Historical reason the DAV is not exempt under §501 (c)(19) as a Veteran’s Organization, is it predated §501 (c)(19) by half a century. §501 (c)(19) was not added to the Internal Revenue Code until the early 1970’s, long after the DAV had been federally chartered and granted its individual and group exemptions. The substantive reason the DAV is not a §501 (c)(19) organization requires further analysis. §501 (c)(19) organizations need not be comprised entirely of veterans, and in fact, can have up to 25% of non-veteran members. However, DAV’s membership is composed entirely of *wartime*, service connected, disabled veterans. In fact, DAV’s federal charter is virtually unique in that the organization is not even permitted to have honorary members. Membership in DAV requires an exclusive credential so the liberal rules of §501 (c)(19) offer no advantage to DAV. An entity that is not engaged primarily in service to veterans is not maintaining fidelity to the mission DAV assumed nearly a century ago. “Neither DAV’s Charter, nor its Mission Statement, envisions recreation as being a major focus of DAV’s attention. The Statement restated in NEC Regulation 10 gives clear guidance to the National Organization and the subordinate units about the organizations purposes. A Subordinate Unit with a different focus may well be doing good and useful things, but it is not furthering the purposes of

DAV. DAV is about service to Veterans, their dependents and survivors, nothing more, nothing less". *Non Profit Advisor for DAV Departments and Chapters. March 2011.*

Consequently, the National DAV and Ohio DAV have not converted their §501 (c)(4) classification into a §501 (c)(19) because it does not comply with the purposes or Mission Statement of the DAV. Also, a Non-Profit Charitable Organization cannot hold both an Internal Revenue Classification of §501 (c)(4) and a classification of §501 (c)(19). The John W. Covert Chapter #47 DAV cannot make the conversion without great financial expense and impairment of its status under its National and State Organization. In fact, Chapter #47's conversion to a Section 501(C)(19) entity to attempt to obtain the Exemption as a Veterans Organization would require it to withdraw from National DAV and State DAV. Thereafter, it is doubtful that Chapter #47 could ever again be a Subordinate Member of National DAV and State DAV which would impose a pale on a very important part of the lives of the Chapter's members and their families.

Chapter #47 believes the present interpretation and application of ORC 5709.17(B) by the Department of Taxation also has chilled the acceptance of donated real estate by other DAV Chapters because of their inability to obtain Tax Exemption for these properties.

The Chapter #47 property at **619 Broadway** and its usage meet all the requirements for a Non-Profit Charitable purpose and is consistent with its Section 501(C)(4) classification under the Internal Revenue Code.

On behalf of Chapter #47 DAV, we submit the Decision and Order of the Ohio Department of Taxation denying the Application for Exemption for the Real Property to be unreasonable and unlawful. Unless the Legislature amends ORC 5709.17(B) pursuant to H.B. 24, Chapter #47 (and other Ohio DAV Chapters similarly affected) can never qualify for Exemption because it is not a

Section 501(C)(19) Veterans Organization regardless of its Mission, its Good Works for Disabled Veterans, or its Non-Profit Charitable purposes and practices.

Thank you for allowing me to speak on behalf of the Members of Chapter #47 DAV and I'm sure on behalf of their Comrades at other Ohio DAV Chapters.



KENNETH G. KENNEDY  
Senior Vice Commander  
John W. Covert, Chapter #47, DAV



**FULFILLING OUR PROMISES**  
TO THE MEN AND WOMEN WHO SERVED

National Headquarters  
3725 Alexandria Pike  
Cold Spring, KY 41076  
Phone (859) 441-7300  
Fax (859) 441-1416  
Toll-Free (877) 426-2838  
[www.dav.org](http://www.dav.org)

May 20, 2015

TO WHOM IT MAY CONCERN:

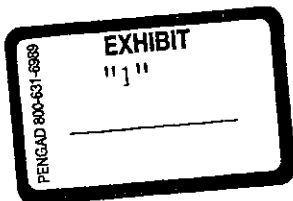
This is to certify that Disabled American Veterans John W. Covert Chapter #47, East Liverpool, Ohio, is a bona fide subordinate unit of the Disabled American Veterans National Organization. Chapter #47 is currently in good standing with the National Organization. All DAV state departments and chapters are exempt from Federal income tax under Section 501 (c) (4) of the Internal Revenue Code, in accordance with the enclosed copy of our organization's group exemption letter. That letter is still in full force and effect. The Employer Identification Number (EIN) for Chapter #47 is 346596121.

Disabled American Veterans is a federal, non-profit corporation incorporated by an Act of Congress on June 17, 1932, as amended in 1942, 1967 and 1984. The charter of Disabled American Veterans may be found at 36 U.S.C. Section 50301.

A handwritten signature in black ink that reads 'J. Marc Burgess'. The signature is written in a cursive, flowing style.

J. MARC BURGESS  
National Adjutant

JMB:as  
Enclosure



CINCINNATI OH 45999-0038

In reply refer to: 0248367584  
June 18, 2014 LTR 4167C 0  
31-0263158 000000 00  
00035363  
BODC: TE

DISABLED AMERICAN VETERANS  
% EDWARD HARTMAN  
3725 ALEXANDRIA PIKE  
COLD SPRING KY 41076



039909

Employer Identification Number: 31-0263158  
Group Exemption Number: 0557  
Person to Contact: Mrs. Scheper  
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your June 09, 2014, request for information about your tax-exempt status.

Our records indicate that you were issued a determination letter in January 1942, and that you are currently exempt under section 501(c)(4) of the Internal Revenue Code.

Based on the information supplied, we recognized the subordinates named on the list you submitted as exempt from Federal income tax under section 501(c)(4) of the Code.

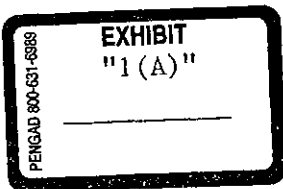
Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106 and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

*Susan M. O'Neill*

Susan M. O'Neill, Department Mgr.  
Accounts Management Operations





"One said (the driver) swerved away to one side, and one said he swerved into (the victim)," Lane said.

The victim's husband was at the scene as police and coroner's investigator tried to ferret out the facts, indicating his wife had been in some type of dispute with the people in the vehicle and planned to strike the vehicle with a bat.

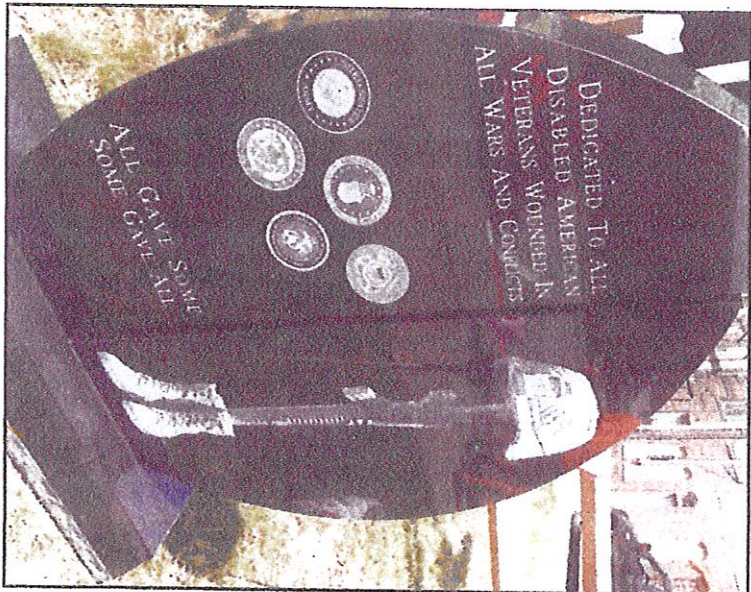
See DEATH, Page 5A

# MEMORIAL

## MARKER

### DEDICATION

Pictured far right, Wendell Keyser, chaplain for East Liverpool Disabled American Veterans Chapter 47, talks to Marine Corps Sgt. Jack Ernest, of Richmond, Ohio, about Saturday's dedication ceremony for a new veterans memorial marker. Next to them is Marine Corps Sgt. Bill Johnson, of East Liverpool. Pictured at right, the new veterans memorial marker unveiled Saturday during a ceremony at the East Liverpool Disabled American Veterans Chapter 47. (Photos by Stephen Huba)



Sheets are held up around the victim struck and killed by a car Sunday in East Liverpool as coroner's investigator Wade Boley investigates. Shown clockwise from left) are Lifeteam paramedic Dave Stock, East Liverpool Patrolman Kevin Thompson, Mayor Ryan Stovall, Boley and Lifeteam paramedic Aaron Jones. (Photo by Jo Ann Bobby-Gilbert)

The scores reflect results from the second year of the General Summative Assessment, a standardized test that students in grades 3-11 take over several days in the spring. The online test, which replaces the WESTEST2, is meant to measure students' progress toward goals set in the Next Generation Content Standards, which represent West Virginia's adaptation

See SCORES, Page 5A

## INSIDE TODAY



**Weather**  
TODAY'S FORECAST  
HIGH 77 • LOW 55  
MOSTLY SUNNY

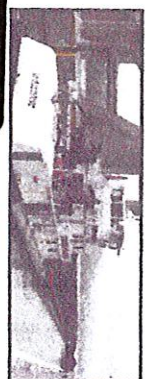


## Deaths

- David Ward

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a/State ..... 2A

THE EAST LIVERPOOL REVIEW

August 22, 2016

EXHIBIT  
"2(A)"



Dedicated To All  
Disabled American  
Veterans Who Served In  
All Wars And Conflicts

All Gave Some  
Some Gave All

**EXHIBIT**  
"2(B)"

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PENGAD 800-631-6989



DEDICATED TO ALL  
DISABLED AMERICAN  
VETERANS WOUNDED IN  
ALL WARS AND CONFLICTS



ALL GAVE SOME  
SOME GAVE ALL



PENGAD 800-681-6888  
**EXHIBIT**  
"2(C)"



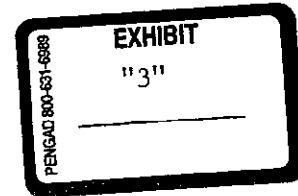
0000000405

# FINAL DETERMINATION

Date: **OCT 08 2015**

John W. Covert, Chapter #47 DAV (Disabled American Veterans)  
617 Broadway  
East Liverpool, OH 43920

Re: DTE No.: XE 1331  
Auditor's No.: 753  
County: Columbiana  
School District: East Liverpool CSD  
Parcel Numbers: 37-04999.000



This is the final determination of the Tax Commissioner on an application for exemption of real property from taxation filed on June 9, 2015.

## I. Factual Background

The applicant, John W. Covert, Chapter #47 DAV (Disabled American Veterans), is seeking exemption from real property taxation of real property acquired in 2013. The application states that the property is being used as a gathering space for various Chapter activities. The subject property contains 0.069 acres of land and a 4,488 square foot building that was razed in 2015.

## II. Ohio Revised Code 5709.17

The applicant has requested exemption pursuant to Ohio Revised Code Section 5709.17. The Ohio Legislature amended the veterans' organization exemption provided by R.C. 5709.17(B) in 2013. Effective September 29, 2013, R.C. 5709.17(B) provides:

Real estate and tangible personal property held or occupied by a veterans' organization that qualifies for exemption from taxation under section 501(c)(19) or 501(c)(23) of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended, and is incorporated under the laws of this state or the United States, except real estate held by such an organization for the production of rental income in excess of thirty-six thousand dollars in a tax year, before accounting for any cost or expense incurred in the production of such income. For the purposes of this division, rental income includes only income arising directly from renting the real estate to others for consideration.

Section 803.170 of Am.Sub.H.B. No. 59, 2013 Ohio Laws 25, provides that this amendment to R.C. 5709.17(B) apply to tax year 2013 and every tax year thereafter.

To determine the applicant's eligibility for real property tax exemption, the Tax Commissioner must verify the applicant's standing as a 501(c)(19) or (23) organization under the Internal Revenue Code, and that the applicant's property did not produce more than thirty-six thousand

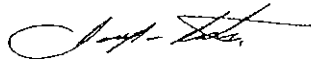
dollars in rental income in the preceding tax year. Here, the applicant organization is exempt under Internal Revenue Code section 501(c)(4), not 501(c)(19) or (23) as designated in R.C. 5709.17(B). Therefore, the property does not satisfy the requirements of R.C. 5709.17(B) for tax year 2015.

III. Conclusion

Based on the information available to the Tax Commissioner, the Tax Commissioner finds that the property described in the application is not entitled to be exempt from taxation and the application is therefore denied for tax year 2015. The Tax Commissioner further orders that penalties charged through the date of this determination be remitted.

THIS IS THE TAX COMMISSIONER'S FINAL DETERMINATION WITH REGARD TO THIS MATTER. NOTICE WILL BE SENT PURSUANT TO R.C. 5715.27 TO THE COUNTY AUDITOR. UPON EXPIRATION OF THE SIXTY-DAY APPEAL PERIOD PRESCRIBED BY R.C. 5717.02, THIS MATTER WILL BE CONCLUDED AND THE FILE APPROPRIATELY CLOSED.

I CERTIFY THAT THIS IS A TRUE AND ACCURATE COPY OF THE FINAL DETERMINATION RECORDED IN THE TAX COMMISSIONER'S JOURNAL



JOSEPH W. TESTA  
TAX COMMISSIONER

/s/ Joseph W. Testa

Joseph W. Testa  
Tax Commissioner