

TESTIMONY OF
RABBI DANIEL GREER, PRESIDENT
EDGEWOOD ELM HOUSING, INC.
BEFORE THE
COMMERCE COMMITTEE
REGARDING PROPOSED S.B. NO. 323 AND S.B. NO. 546
FEBRUARY 19, 2015

Co-Chairmen Senator Joan Hartley and Representative Chris Perone and distinguished members of the Commerce Committee:

As the Committee well knows, NAA is a vital Program best understood as an enhanced charitable tax deduction enabling private sector, corporate sponsorship of eleemosynary works. Since 1982, the Program has performed well, without red tape and costly bureaucracy, efficiently using the tax system to channel assistance directly for charitable purposes to our State's neighborhoods. Thus, these projects, which otherwise would generally have to be borne by the State, have been implemented at lower expense to the taxpayer and fisc.

Speaking personally, in the case of our own non-profit, Edgewood Elm Housing, for more than a quarter of a century, the NAA Program has enabled the stabilization and then reinvigoration of our previously blighted urban neighborhood in New Haven – Edgewood Park. This has been achieved by restoring, on a pinpointed, carefully considered basis, over 50

one-through-five unit properties in the area, restoring and properly maintaining over 115 top-quality, but affordable, low and low-middle income rental housing. In addition, substantial infrastructure improvements have been put in place - sidewalk paving, curb installation and planting of over 450 trees, gracing area streets and thoroughfares. This has certainly fulfilled the mandate of the Neighborhood Assistance Act at moderate cost to the taxpayer, especially when appreciated housing values and increased real property tax revenues are taken into account.

We appear before your Committee in support of Bill No. S.B. 323. NAA has been an important source of funding for numerous non-profits throughout the State. In 2012, there were 309 different charitable organizations who qualified under the Program, in 2013, there were 313, and in 2014, last year, 306 involving 395 programs, with 131 businesses participating.

Under this Program, \$5,000,000 in credits are currently available. That cap has not been increased in more than a dozen years. As a result, in the past several, the Program has been very oversubscribed. In 2011, the proposed allocation of credits to businesses had to be pro rated, namely reduced, by 12%, in 2012 by 17%, in 2013, by more than 22%, and in 2014, by over 29%.

Consequently, in 2014, the most recent year, if a business proposed to contribute under the 100% Tax Credit Section of the Program, it would

only have received credits for less than 71% of that contribution, costing the enterprise more than 29%. More frequently, the contributing company, when confronted by the pro rations, decided instead to reduce its donation to match dollar-for-dollar the awarded credits. Of course, this adversely impacted the charity which had relied on the original full-pledged amount. Neither result has been desirable nor has it furthered the legislative intent of the Program.

The bottom-line is that \$5,000,000 in credits for our entire State is paltry and has become woefully inadequate. The good that this Program does is substantial, given these limited funds, which the non-profits carefully shepherd and dispense for citizens throughout Connecticut. Bill No. S.B. 323, before you, would increase the available credits under NAA from \$5,000,000 to \$10,000,000.

Last year, when a similar bill was before the Legislature and approved, FOA's Fiscal Note to the Bill showed the General Fund revenue loss for that year and the next as "up to \$5,000,000". This was not accurate. Based on the Program's oversubscription history, as set forth previously, it is anticipated that for 2015 the total credits applied for will not exceed \$6,750,000 and next year some \$7,500,000. Therefore, the budgetary impact this year, in 2015, of increasing the cap will probably be no more than an additional \$1,750,000, and in 2016, at most \$2,500,000. Through this relatively minor additional cost to the exchequer, NAA can continue to achieve substantial and major benefits for manifold numbers of this State's

citizens. The \$5,000,000 additional tax credit authorization for NAA will shelter this vital Program from anticipated pro rations for the coming three to four years and enable charities to benefit from the Program's full intent and purpose.

As an aside, one might add that avoiding the pro ration process will save close to two months work for several individuals at the Department of Revenue Services. Those who administer the Program expressed disappointment that an identical bill, approved by the Legislature last year was not signed by the Governor because of confusion over its revenue implications. Bill S.B. No. 323 would spare Revenue Services' personnel the Sisyphean efforts in implementing the heretofore complex pro ration process.

At the same time, we must reluctantly oppose and ask you not to approve proposed Bill S.B. No. 546. In principle, extending the NAA Tax Credit to pass-through entities is a laudable objective. However, it would make available to a multitude of individuals NAA credits which they then could apply to their Connecticut personal income tax. The effect of this radical increase in participants would, it is estimated, require increasing the Statewide NAA cap drastically, to \$25,000,000. Unless the cap is thusly raised, passage of S.B. No. 546 would essentially gut NAA by resulting in draconic 75% to 80% pro rations – in effect, though it is a cliché – throwing the baby out with the bathwater. Given the current difficult budgetary situation, lifting the NAA cap to \$25,000,000 in credits is a pipe

dream. Hence, we must urge that S.B. No 546 be rejected.

And, now, back to Bill S.B. No. 323. On behalf of our own non-profit and the more than 300 diverse charitable organizations throughout Connecticut who have received funding through the NAA Program, we strongly endorse this Bill and support passage of this Legislation.