



**Testimony of Connecticut Children's Medical Center  
to the Finance, Revenue and Bonding Committee regarding  
*HB 5047, An Act Concerning Exemptions Under the Property Tax*  
February 26, 2016**

Senator Fonfara, Representative Berger, members of the Finance, Revenue and Bonding Committee, Connecticut Children's Medical Center appreciates the opportunity to submit testimony concerning *HB 5047, An Act Concerning Exemptions Under the Property Tax*. We oppose Sections 2 and 3 of the bill. While we recognize the need for state and local government as taxing authorities to monitor the activities of both taxable and tax-exempt organizations, we oppose the imposition of a new and onerous filing requirement that is specifically targeted to hospitals. *HB 5047* would create a new and substantial risk to hospitals of losing their tax-exempt status for real and personal property in any assessment year for failing to file a sufficient declaration for any reason, or for failing to sign such declaration.

Connecticut Children's is a nationally recognized, 187-bed not-for-profit children's hospital serving as the primary teaching hospital for the University of Connecticut School of Medicine Department of Pediatrics. Connecticut Children's is consistently named among the best in the nation for several of its pediatric specialties in the annual *U.S. News & World Report* "Best Children's Hospitals" rankings.

A comprehensive array of pediatric services are available at our hospitals in Hartford, Farmington and Waterbury, with neonatal intensive care units in Hartford (Level 4) and the University of Connecticut Health Center (Level 3), along with a state-of-the-art ambulatory surgery center, five specialty care centers and 10 practices across the state and in Massachusetts. Our Level 1 Pediatric Trauma Center and Primary Care Center are the busiest between Boston and New York. Connecticut Children's has more than 2,400 employees with a medical staff of nearly 1,100, practicing in more than 30 subspecialties.

If the State of Connecticut wants to maintain access to the full spectrum of pediatric health care services for all of its children, there must be a relationship between Medicaid cost coverage for the services Connecticut Children's provides and Medicaid volumes. While the number of children served by Connecticut Children's has risen, the proportion of our costs that are covered

by Medicaid payments has decreased. In 2008, the State paid 91¢ for every dollar we spent caring for children who rely on Medicaid. In 2016, that has dropped to 65¢. This has resulted in Connecticut Children's Medicaid shortfall increasing from \$7.6 million to \$65 million per year during the same time period.

Connecticut Children's Medical Center and its affiliates, while tax exempt organizations, still contribute to the municipalities through taxes on leased real estate and on non-exempt property tax. Some municipalities have denied exemptions on the personal property of affiliates of the Medical Center, despite the tax exempt mission of caring for all children regardless of their family's capacity to pay. Our hospital already pays to Connecticut municipalities approximately \$425,000 dollars per year in local taxes on non-exempt real and personal property.

House Bill 5047 would require any hospital claiming an exemption from the property tax to file a personal property declaration and affidavit for each assessment year in every municipality in which such personal property is located. The requirement to file a declaration and affidavit presently applies to the owners of taxable personal property in our state, but has not heretofore been applied to organizations that are not otherwise subject to the property tax. Under current law, exempt organizations are only required to file a report once every four years, and they are not required to file a complete declaration of personal property with the quadrennial filing.

The current declaration form is eight pages in length, and includes fifteen categories of personal property including motor vehicles, machinery and equipment, furniture and fixtures, electronic data processing equipment, average monthly quantity of supplies normally consumed in the course of business, and any other personal property not otherwise mentioned, including leasehold improvements. The declaration is a formidable document that would require several individuals working for a substantial period of time to complete the form sufficiently for every municipality in which a hospital owns personal property.

The bill subjects a hospital to a risk of full taxability of all property, both real and personal, if the hospital inadvertently fails to file a declaration, or if the declaration filed includes insufficient information in the opinion of the assessor, or if it is not signed. The bill states that "exemptions claimed pursuant to subdivision (7) or (16) of section 12-81... shall be deemed waived" for any assessment year in which a hospital fails to file the required declaration in a timely manner. The waiver extends to exemptions under those sections and is not expressly limited to personal property. This means that a hospital may lose its tax-exempt status for a year for all property claimed to be exempt in said municipality, including personal and real property.

Under such a scenario, a hospital would be forced to pay taxes on all of its real and personal property located in said municipality. The absence of proportionality between the offense committed and the penalty imposed is startling. Moreover, it is contrary to principles of fairness

and equity in the administration of taxes and the treatment of organizations such as hospitals. Hospitals already contribute a great deal of money in taxes to finance the cost of state and local government. They fortify our economy through the jobs they create and the goods and services they consume, and they keep the people of Connecticut healthy. We implore the Committee to address this troubling aspect of the bill.

Another distressing and potentially discriminatory aspect of the bill is that it applies only to hospitals claiming an exemption from the property tax. This bill treats hospitals differently from other organizations that are generally exempt from property taxes, such as schools, colleges, charitable organizations, museums, and social and human service organizations. If this measure is intended to enable government to learn more about personal property that is not presently subject to taxation, or to better monitor the activities of exempt organizations, then we question the wisdom and efficacy of limiting this requirement solely to a narrow category of taxpayers, defined in the bill to include any (1) not-for-profit general hospital facility, (2) ambulatory surgical center, (3) freestanding chronic disease hospital, or (4) urgent care facility that operates for at least 12 hours a day.

Finally, the annual filing date of October 1 established in the bill is not consistent with the required filing date of November 1 for all other entities or taxpayers required to file with the local assessor. It is also not consistent with the date hospitals are required to file their quadrennial reports. This inconsistency creates a potential trap for a hospital administrator, who could incorrectly assume the hospital had to file any required filing by the standard date of November 1. And as we've already stated, the financial consequences of a failure to file the declaration and affidavit in a timely manner, namely, a waiver of the exemption and payment of real and personal property taxes, would constitute a material adverse financial event for any hospital.

We recognize that the state is attempting to address persistent and intensifying fiscal challenges. We ask that you please do not impose on hospitals new and onerous administrative burdens with financial penalties that far outweigh the nature of the offense.

Hospitals should be encouraged by the state to focus on our core mission of improving the individual experience of care, improving the health of populations, and reducing the per capita costs of care. Imposing new administrative burdens on hospitals and exposing them to the risk of higher costs through taxation via administrative penalty is contrary to our core mission and is not in the best interest of public health.

Thank you for your consideration of our position. If you have any questions about this testimony, please contact Jane Baird, Connecticut Children's Director of Government Relations, at 860-837-5557.