

CT COMMUNITY NONPROFIT ALLIANCE



To: Members of the Planning and Development Committee

**From: Jeffrey Shaw, Director of Public Policy
CT Community Nonprofit Alliance**

Re: Planning and Development Public Hearing on S.B. No. 419, An Act Concerning Property Taxes For Nonprofit Group Homes and S.B. No. 421, An Act Concerning Community Empowerment And The Neighborhood Assistance Act.

Date: March 11, 2016

Senator Osten, Representative Miller and distinguished members of the Planning and Development Committee,

My name is Jeffrey Shaw and I am the Director of Public Policy at CT Community Nonprofit Alliance. The CT Nonprofit Alliance represents more than 550 community nonprofit organizations and associations across the state and is the largest advocacy organization representing community nonprofits in Connecticut. **Together, our members serve more than 500,000 Connecticut residents each year.**

Connecticut rightly recognizes that **nonprofit organizations earn their property tax exemptions through community impact.** The benefits of **creating jobs, revitalizing neighborhoods and encouraging vibrant growth of host communities** outweigh the forgone revenue lost by local governments. S.B. No. 419 seeks to expand that collective impact by exempting nonprofit providers that operate permanent housing facilities (as part of a contract with a state agency) from paying property taxes on property owned, or held in trust, used to fulfill the contract objectives. Exempting permanent housing, specifically group homes, from the property tax will **ease the financial burdens already placed on nonprofit providers** who operate these facilities.

As you have heard countless times this session and previous years, chronic underfunding and mid-term reductions in funding (rescissions and deficit modification) for essential human services is making it almost impossible to do business. While exempting property taxes for group homes does not solve the systemic funding crisis, it is a **small but essential resource for nonprofit providers** in an era of diminishing resources. The **property tax exemptions for nonprofit organizations must be protected if the sector is to continue their mission driven work of strengthen communities by providing quality, cost effective, and life sustaining services, for children, families and individuals** throughout Connecticut.

I would also like to testify on S.B No. 421, An Act Concerning Community Empowerment And The Neighborhood Assistance Act, specifically, Sections 5 and 6. As you already know, the Neighborhood Assistance Act is designed to provide funding for municipal and tax exempt nonprofit organizations by providing a tax credit for businesses that make cash contributions to these entities. Currently, the tax credit is capped at \$5 million dollars per year. However, **Public Act 15-5, Section 446, will increase the annual cap to \$10 million beginning July 1, 2017 (SFY18).**

Hartford Office: 75 Charter Oak Avenue, Suite 1-100 Hartford, CT 06106 | 860.525.5080 | Fax: 860.525.5088
Rocky Hill Office: 35 Cold Spring Road, Suite 522 Rocky Hill, CT 06067 | 860.257.7909 | Fax: 860.257.7777

For the last four years, the program has been oversubscribed in a number of categories including total number of donations, amount pledged, and original amount of credit before proration, which is reflected in the table below.

Last Four* Years of Neighborhood Assistance Act Program – \$5 Million Annual Cap

Statistic Type/Year	2011	2012	2013	2014	Increase/Decrease
Original amount pledged before proration	\$7 million	\$7.1 million	\$7.4 million	\$8.2 million	+ 10.8% ('13-'14) + 4.2% ('12-'13) + 1.4% ('11-'12)
Original amount of credit before proration	\$5.6 million	\$5.8 million	\$6.3 million	7.0 million	+ 11.1% ('13-'14) + 8.6% ('12-'13) + 3.6% ('11-'12)
Total # of donations to approved programs**	\$6.2 million	\$6.1 million	\$5.83 million	\$5.85 million	+ \$850,000** ('14) + \$830,000** ('13) + \$1.1 million** ('12) + \$1.2 million** ('11)
Total # of participating organizations receiving the donation	273	309	313	306	- 2.0% ('13-'14) + 1.3% ('12-'13) + 13.1% ('11-'12)
Total # of approved programs	351	406	420	395	- 5.0% ('13-'14) + 3.4% ('12-'13) + 15.6% ('11-'12)

*2015 data requested from DRS, but not received as of March 11 at 9:00 a.m.

** Amount over the cap

The oversubscription of the program has shown that **expanding the annual cap would address demand** and encourage further growth of this program so **more resources will be available to more nonprofit organizations.**

S.B. No. 421 would create a commission to study how funding is used by nonprofit providers and to review the requirements imposed on nonprofit providers by state agencies and compliance with those requirements. While analyzing program usage and other analytics is a good business practice, the data is already available as (partially) reflected in the table above. If a new commission is deemed necessary, please **ensure adequate representation from nonprofit organizations**, especially those who use the program and can share their perspective of the program limits due to proration from oversubscription. Additionally, the bill would expand the application timeline by two weeks, from September 15 to October 15 annually.

If the NAA is to be modified this year, I encourage members to **add substitute language that extends participant eligibility to limited liability companies (LLCs) and privately held corporations (“S Corporations”).** Under current law, up to \$5 million (\$10 million in SFY18) in credits are available only to “C” corporation businesses in support of local nonprofit organizations. This program should enable “S” corporations, limited liability companies and limited liability partnerships to contribute to community nonprofit programs and facilities in the way now limited to “C” corporations.

By all accounts, the Neighborhood Assistance Act has been an incredibly popular and positive program for nonprofit organizations and businesses. The upcoming expansion of the annual cap to \$10 million

annually (in SFY18) will **enhance the partnership between nonprofit organizations and the business community** while **increasing nonprofits organizations' ability to serve more communities together** and **make them healthier places to live for all of our citizens.**

Please let me know if you have any questions.

Jeffrey Shaw
Director of Public Policy
CT Community Nonprofit Alliance
jshaw@ctnonprofitalliance.org
860.525.5080 x1027