



DATE: Tuesday, April 25, 2017

TO: Finance, Revenue and Bonding Committee

FROM: Peter DeBiasi, Chairman of the Board, The Alliance

RE: H.B. 7322, An Act Concerning State And Local Revenue.

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas, Representative Davis and members of the Finance, Revenue and Bonding Committee:

My name is Peter DeBiasi, Chairman of the Board of the CT Community Nonprofit Alliance (The Alliance) and President and CEO of Access Community Action Agency in Willimantic. Nonprofits in Connecticut serve over 500,000 people each year and employ almost 14% of Connecticut's workforce. Nonprofits provide more than 198,000 jobs in Connecticut, and those employees pay income, sales and property taxes.

As CEOs of organizations that have struggled for a decade with decreasing state funding, leaders of nonprofit agencies appreciate the difficulties you face in raising adequate revenue and we understand your decision to consider a wide range of possibilities.

The Alliance opposes Section 31 of H.B. 7322, which would repeal the exemption for nonprofits from the sales and use tax, costing nonprofit agencies and those they serve at least an estimated \$216 million next year.

To be clear about what this proposal would do: it would take funds from services for people with developmental disabilities and homeless shelters, from people struggling with substance abuse, victims of domestic violence, and arts and cultural programs, among other services.

Nonprofits have long been exempted from the sales tax in Connecticut and across the country for good reason: they provide services in their communities so that government does not have to.

If nonprofits are not there to address community needs that responsibility would fall to the State, by costing more for expensive emergency services, for example.

Many nonprofits, particularly those providing human services, have contracts with state government. Taxing those entities means a portion of the money appropriated by the State would be paid back to the State. The money that you struggle to appropriate in one part of the budget would be taken away in another.

Findings from a poll of nonprofits large and small illustrate how removing the sales tax exemption for nonprofits would negatively impact staff of nonprofits and services for individuals in need. For example, a large provider of Intellectual/Developmental Disability services in Meriden who was exempt from

paying \$193,559 in sales taxes in FY 16 would be forced to serve 28 fewer clients and lay off 5 staff if this exemption is eliminated.

Nonprofit	Sales Taxes Paid (FY16)	Implications of Removing the Sales Tax Exemption
Large I/DD Provider in Meriden	\$193,559	28 fewer clients served, 5 staff laid-off
Small Adult Behavioral Health Provider in Norwalk	\$20,000	May drop services to less than 5 days a week or stop transporting clients to psychiatric and medical appointments.
Medium Adult Outpatient Services Provider New Haven County	\$75,000	This increase is equal to the cost of providing outpatient services to 85 adults, who may be left without services
Medium Behavioral Health Service Provider in Waterbury	\$170,000	200-300 people left without care or the elimination of 3-4 FTE positions
Small Domestic Violence Shelter in New London County	\$10,000	The current exemption allows the provider to maintain a fleet of cars to provide 1:1 safe transportation for clients. An elimination of the sales tax may force them to discontinue these services

Further, donors to nonprofits want the dollars they contribute to be used to provide services and accomplish their missions, not to pay taxes. If contributions decreased, our government and communities would suffer from the loss of services.

After a decade of budget cuts -- and with more cuts possible -- taxing nonprofits would deprive them of funds at a time when many are barely surviving. Simply put: it would limit their ability to help people -- your constituents.

In January, The Alliance provided lawmakers with a [constructive solution](#) to the need for funds for human services that would save almost \$1.25 billion over the next five years and protect services by shifting more expensive state-operated human services to the nonprofit sector. Instead of considering new taxes that could put some of our most vital programs out of business, we urge lawmakers to consider structural changes that would protect them.

The mission of all nonprofits is to improve the health and well-being of our local communities, enhance the quality of life and serve the public good. Nonprofit sales tax exemptions are a small price to pay for the value that nonprofits add to the life of every resident in Connecticut.

We urge you to take no action on this bill.

Thank you for your time and consideration. For more information, please contact: Gian-Carl Casa, President & CEO of The Alliance at gcasa@nonprofitalliance.org or 860.525.5080 x1022.