



Waterbury Regional Chamber
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April 29, 2019

**STATEMENT OF THE WATERBURY REGIONAL CHAMBER
TO THE FINANCE, REVENUE & BONDING COMMITTEE OPPOSING
SENATE BILL 1137, AN ACT CONCERNING DEPOSITS IN LIEU OF TAXES**

Senator Fonfara, Representative Rojas, and members of the Finance, Revenue & Bonding Committee, my name is David Krechevsky and I am the Director of Public Policy for the Waterbury Regional Chamber of Commerce. Thank you for the opportunity to submit testimony on this bill.

The Chamber, which serves 14 communities in Greater Waterbury and represents the interests of more than 1,000 member businesses in matters of public policy, strongly opposes **Senate Bill 1137**, which would impose a tax equal to 25% of the local property tax on any nonprofit exempt from the property tax in Connecticut in order to fund community development credit unions.

The Chamber and our member businesses – which include numerous nonprofits – are very concerned about the disastrous effects of imposing a property tax on nonprofit and charitable organizations, as well as nonprofit hospitals and colleges, many of which have limited budgets.

Nonprofits already are dealing with declining financial contributions as a result of the change in the standard deduction for the federal income tax. For married couples, the deduction doubled from \$12,000 to \$24,000, resulting in far fewer taxpayers needing to itemize their deductions, which means fewer taxpayers will receive a deduction for making charitable donations. As the Hartford Business Journal noted in an article published April 8, 2019, “The Urban Institution and Brookings Institution’s Tax Policy Center last year predicted a 56 percent drop-off in people who itemize their taxes following passage of the tax reform law.” The article also noted that smaller nonprofits are especially vulnerable, because their resources are even more limited, and they usually have fewer donors providing large contributions.

With the incentive to donate and receive a tax deduction reduced, it makes no sense to further erode the incentive to donate by forcing nonprofits to pay property tax for local services. Donors will have less incentive to contribute if their donations will just be handed to local governments.

Even beyond the reduced donations, many nonprofits — especially hospitals and those in healthcare-related fields — face increasingly limited resources. After a decade of state and federal budget cuts, many nonprofits are barely surviving and operating on razor-thin margins, placing at risk their ability to serve people in need.

One example is Wellmore Behavioral Health, a nonprofit in Waterbury that is a member of my Chamber and which provides mental health and addiction services to thousands of people, including children, in Greater Waterbury. These services are vital in our region, one of the hardest hit statewide by the opioid epidemic.

Wellmore CEO Gary Steck described the 25% property tax on nonprofits, as well as the property-taxed-based fee proposed in a separate bill (**SB 7408, section 6**), as “potentially an asteroid hit” to nonprofits’ budgets. The 25% property tax would be “an unfunded mandate of between \$50,000 and \$100,000 for us,” he said, while adding that the fee proposed in SB 7408 would cost Wellmore hundreds of thousands of dollars each year. “That’s money we don’t have,” he said.

Requiring nonprofits to pay a property tax or a fee for government services — which is a tax by another name — because of their tax-exempt status also erodes the social compact between them and local government. For over a century, nonprofits have been exempted from state, federal and local taxes, and for the best of reasons: they provide services in our communities so that the government doesn’t have to. If nonprofits are not there to address these vital community needs, that responsibility will fall to government, and at a substantially higher cost.

In effect, by approving a fee or a tax on nonprofits, the legislature would be approving a tax on those who can least afford it — the most vulnerable members of our communities.

In addition, taxing nonprofit organization also will dramatically impact arts & cultural organizations, such as theaters and museums. In Waterbury, that means The Palace Theater & Seven Angels Theatre, and the Mattatuck Museum. All have tight budgets and survive thanks to the generosity of their patrons and donors. The Mattatuck Museum, in particular, is in the midst of a fundraising effort to expand its facility and enhance its exhibits and offerings. None of them are in position to pay the thousands, or hundreds of thousands, of dollars these taxes or fees would require, which could ultimately deprive the region of the benefits of their shows and exhibits.

The Chamber and our members therefore urge you to oppose Section 6 of SB 7408, as well as the tax proposed in SB 1137 and any proposal to tax nonprofit organizations.

Thank you for your consideration.

David Krechevsky
Director of Public Policy
Waterbury Regional Chamber