



Testimony to the Finance, Revenue and Bonding Committee

Submitted by Mag Morelli, President of LeadingAge Connecticut

April 10, 2019

In Opposition to

**SB 1137, An Act Concerning Deposits In Lieu of Taxes and
SB 1138, An Act Concerning Community Restoration Funds**

LeadingAge Connecticut is a statewide membership organization representing not-for-profit provider organizations serving older adults across the continuum of aging services, including not-for-profit skilled nursing facilities, residential care homes, home health care agencies, hospice agencies, adult day centers, assisted living communities, senior housing and life plan communities.

On behalf of LeadingAge Connecticut, I submit the following testimony in opposition to Senate Bill 1137, An Act Concerning Deposits In lieu of Taxes and Senate Bill 1138, An Act Concerning Community Restoration Funds.

SB 1137 proposes to require that certain not-for-profit entities currently exempt from property tax pay a fee annually for deposit into a "community development account" that would be established by this bill. The fee would be equal to 25% of the amount of property tax that the not-for-profit entity would have paid on the real property at the mill rate for each assessment year. While the bill specifies that it is applicable to colleges and hospitals, the criteria established in Section 1 of the bill would potentially also bring in other not-for-profit entities if they maintain pension funds, endowments or other "significant" savings funds or accounts. The bill sets up a new, complicated system for distributing receipts from these fees for community development projects. It appears that receipts generated from not-for-profit in some communities could be diverted to pay for community development in other areas designated as community impact zones.

SB 1138 would also require hospitals, universities and other not-for-profit, as described in SB 1137, to pay the 25% annual fee to the State Treasurer for deposit into a community development account with proceeds being applied to community development projects under a similar complicated system to that set out in SB 1137. It is unclear how SB 1137 and SB 1138 relate to one another and whether they are alternative proposals, or separate means of assessing fees on not-for-profit.

The fees proposed in both bills are clearly a form of property tax that would be based on new property assessments conducted on these properties.

Not-for-profit organizations already give back to the community in the form of voluntary payments, in-kind services, or other community benefits. This new tax could be devastating for many such organizations. Many not-for-profit long-term care providers care for a significant number of Medicaid

recipients, with Medicaid making up as much as 75% of revenues in some cases. The rates paid to these providers do not fully pay for the costs of the services they provide. Yet, the bills would require tax payments as an additional cost, simply because the organization established an endowment to obtain contributions to help defray some of these uncovered costs, or simply due to the existence of a pension fund that was responsibly established for the future security of the organization's retirees.

In summary, we strongly object to this proposal which is a veiled attempt to assess a new form of property tax on not-for-profit entities. We urge the Committee to reject this bill.

Thank you for the opportunity to submit this testimony.

Mag Morelli, President

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