



# NASW

National Association of Social Workers / Connecticut Chapter

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Testimony on S.B. 1137: AAC Deposits in Lieu of Taxes

Finance, Revenue & Bonding Committee

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Submitted By: Stephen Wanczyk-Karp, LMSW

On behalf of the National Association of Social Workers, CT Chapter representing over 2,500 members, we are opposed to S.B. 1137. This bill creates a new tax of 25% of the tax a non-profit organization would have paid if they were not tax exempt. The tax will be based on the non-profit's savings account, endowment or pension fund.

NASW/CT is a 501 (c) (6) non-profit organization that is not tax exempt thus, our organization is not affected by this bill. Nonetheless, we stand in opposition to SB 1137 as many of our members are employed by non-profits that are tax exempt. For tax exempt organizations to be charged a newly created tax will result in reduced funding for service programs and staffing. This is counterproductive to the value that non-profits bring to communities.

The non-profit sector for social services provides critically important assistance to populations in need, such as older adults, persons with disabilities, the unemployed, persons with mental illness and children & families. These services, if not picked up by the non-profit sector would have to be paid for by public programs that would be a cost to municipalities and the state. Any taxes that are levied in the end will cost the public sector, far likely at considerably more than the tax revenue.

We find it particularly disturbing that savings accounts, endowments and pension funds would be equated to and treated the same a property. S.B. 1137 is at minimum a violation of the spirit of the IRS rules that are meant to advance and financially assist non-profits.

Furthermore, the taxation of an endowment fund may have the unintended consequence of reducing donations to the organization's fund. Donors are less likely to contribute to a fund when a portion of that contribution will have to be used to pay taxes.

We understand the importance of developing community restoration and revitalization efforts. However, doing so by taking money from the non-profit sector is not the way to achieve such a goal. S.B. 1137 will only weaken communities in the name of revitalizing communities!

The non-profit sector is struggling financially, with many non-profits having been forced to merge and/or close. In such a financial environment, with the state giving at most 1% increases in state funding, S.B. 1137, if implemented, may be the "straw that broke the camel's back for many non-profits. We urge the Committee to not pass S.B. 1137.