

June 13, 2017

To: Senator Michael D. Brady, Chair  
Representative Jay R. Kaufman, Chair  
Joint Committee on Revenue

From: Jim Klocke, CEO, Massachusetts Nonprofit Network

Re: Testimony in opposition to H.1565, H.2594, and H.3526

Chairman Brady, Chairman Kaufman, and members of the Joint Committee on Revenue, thank you for the opportunity to testify in opposition to three bills on the agenda today that would be harmful and burdensome to nonprofits across the Commonwealth.

The Massachusetts Nonprofit Network (MNN) is the voice of the nonprofit sector and a statewide organization that brings together all parts of the nonprofit ecosystem—nonprofits, funders, community and business leaders, and elected officials—to strengthen nonprofits and raise the sector’s voice on critical issues. MNN has over 650 nonprofit members, representing nonprofits in every region of the state and from all subsectors of the nonprofit world.

Today, we join our colleagues from across the nonprofit sector to oppose three bills: H.1565, *An Act relative to payments in lieu of taxation by organizations exempt from the property tax*, filed by Representative Kulik; H.2594, *An Act relative to tax exempt property*, filed by Representative Garballey; and H.3526, *An Act relative to community tax relief*, filed by Representative Nangle. All three bills, which relate to payments in lieu of taxes (PILOTs) or the right of first refusal, would make the operations of and service delivery by nonprofits more difficult. They would do so at a time when nonprofits are facing new fiscal challenges at the state and federal level.

Background on Massachusetts Nonprofit Sector:

The Commonwealth’s nonprofit sector not only improves the lives of Massachusetts residents; its economic reach can be felt across the state. With nearly 530,000 jobs, the nonprofit sector employs 17% of the state’s workforce, making Massachusetts the 6th largest nonprofit employer in the nation. In addition, with over \$30 billion in wages generated by nonprofits, the economic impact of the sector produces billions of dollars of income, sales, and tax revenues annually for the Commonwealth.

Opposition to PILOTs and Right of First Refusal Legislation:

There are five key reasons why MNN and our members oppose the bills that are before the committee today:

1. **Nonprofits are tax-exempt entities:** In partnership with local, state, and the federal government, nonprofits provide essential services that contribute to the public good and help our most vulnerable residents. In turn, under long established federal and state law, nonprofits

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are exempt from paying property taxes, recognizing the common good nonprofits bring to the communities they serve. This tax exemption is essential to ensuring nonprofits have the necessary resources to fulfill their missions.

2. **Nonprofits are the cornerstones of Massachusetts communities:** The nonprofit sector enriches neighborhoods and provides vital services. From scholarships for local students, to free and subsidized health care, to a wide array of environmental, artistic, historic, and cultural programs, nonprofits make immense contributions that benefit residents and government alike. These contributions, in many cases, result in millions of free or subsidized services which improve countless cities and towns throughout the Commonwealth.
3. **Donor intent:** Foundations, individual donors, and other grant-making institutions support the essential services provided by local and state governments. At the same time, donors expect their donations to be used in furtherance of a nonprofit's mission. Allocating private donations to taxes could contradict donor intent and weaken the fiscal position of many nonprofits, threatening access to essential programs for residents throughout the Commonwealth.
4. **Constrained resources:** With a proposed federal budget that would cut domestic spending by almost \$54 billion and state revenues continuing to lag, nonprofits are already bracing to do more with less. Imposing new taxes on nonprofits at a time when nonprofit resources are severely constrained would have a direct and noticeable effect on communities.
5. **Burdensome regulations:** Currently agencies at all levels of government oversee the finances, operations, assets, and land use of nonprofits. Placing additional burdens and restrictions on a nonprofit's ability to transfer and sell its property will unnecessarily limit options, weaken its financial position, and have a direct impact on its ability to serve the greatest number of people.

MNN is aware that many of the fiscal challenges and constraints faced by municipalities are shared by municipalities and nonprofits alike. As sectors that work collaboratively throughout Massachusetts, nonprofits want to continue to build on these partnerships to ensure that everyone has access to programs and services that improve their quality of life.

Mr. Chairmen, Committee members, on behalf of the members of the Massachusetts Nonprofit Network and nonprofits throughout the Commonwealth, I respectfully request that the committee votes against H.1565, H.2594, and H.3526. In addition, as the committee continues to consider legislation this session that would impact the nonprofit sector, please use MNN as a resource and reach out anytime with questions or as issues arise.

As always, we appreciate your continued support of the nonprofit sector.