



Why Is The Nonprofit Sales Tax Exemption Essential for Connecticut?

1. It Protects Taxpayers.

- Nonprofits provide essential services that government would have to otherwise provide. Tax exemptions costs much less than the cost of government having to provide the services itself.
- Nonprofits provide public benefits in exchange for tax exemptions. Taxing nonprofits would create a new tax.
- Organizations may choose not to locate in states that do not grant tax exemptions. This is a potential loss for the people and economy in those locations.

2. It Fuels Connecticut's Economy.

- Nonprofits provide more than 198,000 jobs in Connecticut. These 198,000 employees pay income, sales and property taxes.
- Nonprofits are essential to creating the quality of life that attracts and keeps jobs in Connecticut. They are a vital part of thriving communities and a thriving state.
- Nonprofits put \$29 billion back into the state's economy each year. They purchase goods and services from other companies and pay \$10 billion in wages.

3. It Leverages New Resources for Community Services.

- Nonprofits are uniquely positioned to leverage private contributions and donated volunteer time (current value of volunteer time is \$24.14 per hour!) for the public benefit. Tax exemptions are a small price to pay for the value that nonprofits add to the life of every resident in Connecticut.

4. It Limits Impact.

- Taxing nonprofits would reduce what they can spend on essential program services in communities across CT.
- When government contracts with nonprofits to provide essential public services, government funds would be used to pay government taxes.
- Nonprofits operate on a thin financial margin. Boards and volunteers need reliability and consistency in their tax status in order to make the best use of their resources and plan well for the future. It is important that eligibility standards for charitable tax exemptions are applied consistently across all levels of government.

5. It Respects What Taxpayers Want.

- The public supports tax exemptions for nonprofits. The report, *United for Charity: How Americans Trust and Value the Charitable Sector*, by Independent Sector, found that 75% of people surveyed trust charities with their checkbooks over the government and want to see expanded access to resources to support the work of nonprofits. In other words; a majority of voters trust the nonprofit community, and want their resources to be used to see it thrive. Maintaining tax exemptions is critical to allowing nonprofits to thrive.
- Donors want the dollars they contribute to nonprofits to be used to provide services and accomplish missions, not to pay taxes. If contributions decreased, our government and communities would suffer from the loss of services.

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How Do Nonprofits Differ from For-Profit Businesses?

Both are private organizations, but they have these fundamental differences.

Nonprofits with 501(c)(3) status:

- Primary objective is public benefit.
- Must be organized and operated for charitable, educational, religious, scientific or literary purposes.
- Must reinvest net earnings back into the mission (but do need net earnings to be able to continue their work).
- In exchange for this public benefit, they are exempt from certain taxes, such as sales taxes on purchases essential to their mission and property taxes on land and buildings they own and operate.
- Donors may deduct some of their contributions from the federal and state income taxes.
- Financial data on IRS forms is public information.
- Allowed to advocate and lobby, but prohibited from partisan politics.

For-profit Businesses:

- Primary objective is profit.
- Net earnings may be distributed to shareholders, employees, owners and other private individuals.
- Pay taxes on income, purchases, and property owned.
- Financial data is private except for publicly-traded corporations.
- May engage in partisan politics.