



PROTECT NONPROFIT TAX EXEMPTIONS

NONPROFITS RELY ON THE STATE FOR FUNDING AND HAVE LIMITED OPTIONS IN THE FACE OF INCREASING COSTS

THE PROBLEM IS GETTING WORSE EVERY YEAR, MORE DENIALS ARE EXPECTED IN 2022

Paying nonprofit property taxes diverts critical funding away from direct services to communities

RECOMMENDATION

Clarify that nonprofit property used for charitable purposes is exempt from property tax in all municipalities.

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Community nonprofits (501(c)(3) have long been exempted from property taxes for good reason: they provide services so government doesn't have to.

State law specifically exempts group homes for people with disabilities, drug or alcohol treatment facilities, housing for people experiencing homelessness, domestic violence shelters, and more. But some assessors are arguing that as soon as the average length of stay in a facility exceeds six months, the property is taxable.

Wrongful denials of property tax exemptions force community nonprofits, burdened by years of state budget cuts, to choose between costly litigation and paying taxes on property that is exempt by state law. Either option diverts critical funding away from essential services for people in need.

Some nonprofits report property was recently assessed for taxes after a history of it being exempt, yet almost all facilities being assessed had not undergone a change of use. The problem is getting worse each year, and more denials are expected in 2022, following the submission of quadrennial tax exemption applications.

Many nonprofits rely on the State for funding and have limited options in the face of increasing costs. They can't raise fees or charges, forcing them to cut services, close programs or lay off employees. In addition, nonprofits are now facing costs and revenue losses from COVID-19 after years of state budget cuts and flat funding.

Put simply: there is no place to find the funding to pay property taxes except by cutting direct services to the community.