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Nonprofits and Our Communities: A Valuable Partnership

Today a public meeting is being held in Pittsburgh by the Auditor General of Pennsylvania to discuss a proposed constitutional amendment called SB4. The amendment addresses property tax exemption for nonprofits that meet the state's definition of a purely public charity and whether the judicial or the legislative branch should hold ultimate authority over defining what constitutes a purely public charity. It's an age old debate and a classic authority struggle between the legislature and the courts dating back to the 19th century.

The debate, which is often rooted around the issue of taxes is of great concern for not only municipalities and nonprofits but for the people of Pennsylvania as it impacts our quality of life. Tax bases have eroded over decades and nonprofits that own property are being sought after to close the tax gap. The Auditor General's reports in *A Review of Potential Lost Revenue Due to Property Tax* (December 2014) that there is \$1.5 billion in "potential lost revenue" from property tax exemption in a sample of ten counties in Pennsylvania. This figure has been repeatedly cited as the amount of *nonprofit owned property* despite the fact that this \$1.5 billion **includes government-owned property**. This is clearly stated on the Auditor General's website but regularly is taken out of context to the detriment of the nonprofit community. "The public and the nonprofit community must first have accurate information to understand the context and scale of this issue", stated GPNP Executive Director, Samantha Balbier. The issue can be particularly acute in transportation centers such as cities because exempt property is concentrated here, where people can use it, and the national, state and county governments do not compensate the municipality for their exempt property.

Senate Bill 4 does not directly address the issue. It seeks to give the legislature the authority over the courts in deciding which nonprofits meet the test of a *purely public charity*. "This will once again introduce litigation and legal costs for both nonprofits and local government redefining what fits the new definition of a purely public charity every time the legislature amends its definition", said John Lydon, CEO of Auberle and Chair of the GPNP Advisory team. Lydon noted that the Pa Supreme Court recently pointed out that the people of Pennsylvania amended the state constitution in 1874 because the constant amendments "had grown into a great abuse." "We all need consistency in definitions. GPNP prefers the Act 55 definition of a purely public charity which is easier to understand and implement but there is no guarantee that this amendment will give that result, so GPNP is not in favor of it," said Lydon.

"I worry that people in Pittsburgh have started thinking ill of the nonprofit community because of this debate," said Susan Rauscher, CEO of Catholic Charities of the Diocese of Pittsburgh and Chair of the GPNP Public Policy Committee. "This conversation needs to be turned on its head. If we began the conversation by first asking the question of the

important role the sector plays in the region you will find that nonprofits are integral parts of our communities and neighborhoods and the value they bring far surpasses that which could be collected in taxes”, added Rauscher.

“The health and vitality of the region is central to the work of nonprofits”, said Balbier. “We need to assure that as this particular political process unfolds the public is thoughtfully reminded about the entirety of whom and what is being discussed. Nonprofits meet essential community needs while largely operating on very thin margins and annually challenged to break even. Adding property taxes to already strained budgets would have dramatic impacts on an organization’s ability to deliver services that are in very high demand”.

According to Kate Dewey, President of the Forbes Funds “The nonprofit sector employs hundreds of thousands of individuals across the state. Most importantly, nonprofits attend to work that is largely cost-prohibitive to government; it is important that the sector be able to continue this important work to the benefit of our residents”. Nonprofits feed the hungry and shelter the homeless, care for abused and neglected children, provide health services to the poor, the mentally ill, and the addicted. The sector cares for our seniors, promotes literacy, and revitalizes lower income communities. They educate and prepare Pennsylvania’s workforce, teach environmental stewardship, inspire creativity and fight for social justice.

Susan Rauscher reminds us that we are talking about people when we talk about nonprofits, “Cassie, formerly homeless and with little direction and hope for her life, turned to the Team HOPE staff at Catholic Charities who enrolled her in the MOST program (Modern Office Systems Training) offered at our downtown location in partnership with Community College of Allegheny County (CCAC). Cassie has attended classes faithfully for the last several months where she has learned so much. Soon, she will receive her program certification and plans to pursue an Associate Degree at CCAC. Her life now has both direction and hope.”

About The Forbes Funds and Greater Pittsburgh Nonprofit Partnership (GPNP)

Established in 1982, The Forbes Funds is a supporting organization of The Pittsburgh Foundation. The focus of The Forbes Funds is building the management capacity of community-based nonprofits individually and collectively through management assistance, scalable solutions, applied research and sector leadership. GPNP is hosted by the Forbes Funds.

Greater Pittsburgh Nonprofit Partnership is coalition of over 420 nonprofits and community partners from a 12 county region in SWPA; joining together to improve the viability, impact and effectiveness of the nonprofit sector. GPNP connects nonprofits across missions to build partnership to sustain services provided to the community. GPNP members advocate as a collective voice on important issues that impact Southwestern Pennsylvania. GPNP advances the capacity and focus of the nonprofit sector to meet current and future community needs. Learn more at www.gnp-pgh.org

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