

Nonprofit Fees and Taxes: *A Death by a Thousand Cuts*

by the editors

AMID THE BLEAKEST ECONOMIC OUTLOOK IN A GENERATION, local and state governments have looked for new and creative ways to scare up revenue to cover gaping budget deficits and have found the potential for raising additional dollars in levying fees and taxes against nonprofit organizations. These proposals have taken a variety of forms and have been proposed at a variety of levels of government. In many cases, government is trying to eliminate nonprofit exemptions for certain types of fees and taxes. In terms of straight dollar amounts, some of the proposals are small potatoes (such as the story below about food permits), but some have pretty significant price tags (such as the assaults on nonprofit property tax exemption and the Arizona story on child-care licensing fees). And as one nonprofit advocate comments below, when these proposals show up at a moment when nonprofits have experienced a reduction of resources from multiple streams and an increase in demand, it can feel like “death by a thousand cuts.” Below we detail some of the proposals we have been tracking as identified through the *Nonprofit Quarterly’s* Nonprofit Newswire Service. We reprint these stories here to encourage our readers to read our daily Newswire, where we will track trends in real time.

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Newswire



In Allegheny County, Pennsylvania, Fees on Nonprofits Vetoed

November 7, 2009; *Pittsburgh Post-Gazette* | We’ve been following a trend the *Minneapolis Post* called a “death by a thousand cuts.” See our Newswires from Minneapolis and Washington State here. More cities and towns across the country have decided to levy fees on nonprofits despite their 501(c)(3) status. Here we finally have some good news. Allegheny County,

Pennsylvania Executive Dan Onorato vetoed a bill recently to impose county fees on nonprofit organizations. Citing violations of the county home rule charter, state law, and the Pennsylvania Constitution, Onorato vetoed the measure which, in part, would collect as much as \$13 million in fees from as many as 25,000 properties of tax-exempt organizations, excluding churches, schools, and government buildings, starting in January.

—Aaron Lester



Nonprofits Will Pay for Food Permits

October 28, 2009; *Yakima Herald-Republic*

Recently, we covered a story about the exorbitant licensing fee increases to be newly levied on child-care centers in Arizona. Now from Yakima, Washington, comes this little story about a nonprofit fee exemption for food-service booths at public gatherings being eliminated. While the \$54 fee may seem like small potatoes to many, Barbara Harrar, a member of the health district board implementing the changes, anticipates that “all heck will break loose” about the decision among very small community groups that might make a few hundred dollars on such booths. To her credit, she seems to understand the impact on these small but important groups (for some, these booths can be a critical fundraising strategy), but an eroding tax base makes things tight and charging the fee will bring in an estimated \$10,000. As we watch the current nonprofit economy change, it is important to recognize all the budget impacts on local nonprofits.

—Ruth McCambridge



Death by a Thousand Cuts

October 29, 2009; *MinnPost* | New fees

are creeping up in Minnesota too. Next year the city of Minneapolis hopes to generate about \$155,000 next year from 1,600 nonprofits. It plans to raise the money by charging an average \$96 assessment for each “nongovernmental tax-exempt parcel.” The nonprofits—which are not required to pay property taxes on their land and buildings—say that they are “increasingly being hit with fees and assessments to pay for elevator inspections, waste water, fire inspections and other local government functions.” Oh, and government buildings are not assessed these fees. I suppose this is the thanks you get for providing services, free of charge, that the government would otherwise be saddled with all these years.

—Aaron Lester



State Proposes Hike for Child-Care Centers' Fees

October 8, 2009; the *Arizona Republic* |

Every which way you turn! In the Summer 2009 issue of the *Nonprofit Quarterly*, we covered the squeeze faced by many child-care facilities that face already declining enrollment from families unable to pay fees on reduced income. In some states, this situation is worsened by cutbacks, but now, in Arizona, a new twist: child-care centers possibly face an enormous (as much as 8,800 percent) increase in annual licensing payments

that would likely force them to increase enrollment fees still more. The measure is proposed to make up for other state budget cuts.

—Ruth McCambridge



Fees on Nonprofits Resurface in Mayor Ravenstahl's Proposed Budget

September 23, 2009; *Pittsburgh Tribune-*

Review | This article hints at the danger to the entire nonprofit sector posed by nonprofit hospitals with suspicious nonprofit credentials. The young mayor of Pittsburgh, Luke Ravenstahl, has taken aim at nonprofit hospitals and universities, among others, for payments in lieu of taxes (PILOTs) to help the city reduce a crushing municipal budget problem. Large hospitals are at the center of the controversy. When Mercy Hospital completed a mammoth merger to become the University of Pittsburgh Medical Center, UPMC offered to pledge \$100 million toward a scholarship program for Pittsburgh public-school students and cited its estimate of \$500 million in charity care and community benefits programs.

It's not clear that the city is as happy with a scholarship program as opposed to a payment in lieu of taxes that would go into the municipal treasury. Between 2005 and 2007, an umbrella group of nonprofits—the Pittsburgh Public Service Fund, made up of roughly 100 nonprofits—“donated” \$14 million to the city budget and has offered \$5.5 million for 2008 through 2010, an offer the city's finance people have not yet accepted. UPMC calls itself a major participant in the Service Fund, which is debating the city's revenue plan. The part of the city's plan that actually affects nonprofits is a \$15 million fundraiser that includes various unspecified fees on all-day parkers, college students, hospital patients, and increased water fees on large nonprofit water users (clearly hospitals and universities). The challenge for nonprofits is how much the majority of nonprofits—which are tiny (93 percent have less than \$1 million in total revenue)—are affected by changes in government treatment of the largest, wealthy nonprofits such as hospitals and universities, and if state and local governments change the terms on the property tax or fee treatment of large nonprofits such as hospitals and universities, when (and for how long) should all nonprofits go to the mat for the biggest ones?

—Rick Cohen

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