

SOUTHEASTERN CONNECTICUT CULTURAL COALITION

P.O. Box 95, New London, CT 06320 | (860) 448-5135 | info@CultureSECT.org | www.CultureSECT.org

DATE: February 2, 2021
TO: Planning & Development Committee
FROM: Wendy Bury, Executive Director, Southeastern CT Cultural Coalition
RE: H.B. 6103 An Act Concerning Property Tax Exemptions For Property Used For Charitable Purposes

Senator Cassano, Representative McCarthy Vahey, Senator Needleman, Representative Goupil and distinguished members of the Planning & Development Committee,

My name is Wendy Bury and I am the Executive Director of the Southeastern CT Cultural Coalition, a nonprofit organization that serves more than 500 arts, cultural and creative businesses in eastern CT. We urge the Planning & Development Committee to support H.B. 6103.

The Cultural Coalition serves as the “voice” of the cultural sector and the liaison between the cultural sector and leadership entities invested in regional revitalization, and we provide core services to connect, strengthen, and advocate for the cultural community. From sole proprietors, artists and small volunteer-run organizations, to historical societies and sites and professionally staffed museums, tourist attractions and arts centers, the Coalition includes a diverse cross section of nonprofit and for-profit individuals, businesses, groups and organizations. Our office is located in the City of Norwich.

We serve more than 200 small, medium and large nonprofit organizations, which make up 40% of our total partners.

In March of 2018, our organization and more than 30 other nonprofits located in the City of Norwich were denied tax-exempt status and assessed taxes on properties, most for the first time in their history. Over the course of the next few months, it became evident that while the criteria utilized by assessors to determine exemption is the same, the statute regarding nonprofit property tax exemption is murky at best, and therefore assessors can interpret and approve or deny nonprofit exemptions differently. In other words, what is property tax exempt in one town may not be tax exempt in another town and vice versa. Further, communication standards and practices between assessors and nonprofits in their towns regarding property tax exemption varies as well.

Our organization is comprised of a staff of two and we rent a small office space in a co-work space. We were facing a \$760 tax bill on the property we own, which is minimal. But some of the organizations we work with and serve were facing thousands of dollars in taxes. There was no notice of changes in how exemptions were determined and no information about the reasons for denial. To add to the confusion, the assessor had stated publicly that this was part of an effort to boost the local tax base.

We learned that Norwich Arts Center was facing \$16,000 dollars in taxes on the building they have owned and operated for years and has always been tax exempt. Norwich Arts Center, an all-volunteer organization, owns a three-story historic building in downtown Norwich that has two community art galleries on the first floor, offices on the second floor and a 134-seat performing arts theater on the 3rd floor. For the first time, Norwich Arts Center was denied their tax exemption status

The Southeastern Connecticut Cultural Coalition fosters region-wide economic growth in New London County by optimizing existing and new arts and cultural activities to assure that cultural sector and creative business assets are central to the vitality of the region.

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but given no reason why – not on the paperwork or in any communication. Later on, they would find out that because a very small portion of the 2nd floor is rented out and that income is used to support the organization's public programs, the assessor made the decision to revoke the entire building's tax exemption. In other towns, similar properties could be determined to be exempt because the space and income support the mission or pro-rated based on square footage.

As a regional umbrella organization that serves hundreds of nonprofits, most small to medium sized, the Cultural Coalition decided that we would go to court if needed because of the precedent setting nature, and to help protect and defend not only our own organization but also those we serve.

We also decided we would host a public information session and create a webpage for nonprofits to learn more about the issue, its potential implications and to better educate ourselves about the law, the process and the requirements for nonprofits. As part of that work, we personally contacted legal experts and the assessors in nearly every town in New London County to ask about their policies and practices, interpretation of the statute, and outcomes of their quadrennial filing review. In general, most assessors in New London County go above and beyond to work with and help their nonprofits with the required filings with ample notice, communication and information about the criteria required to be tax exempt. This minimizes appeals and avoid lawsuits. However, we were stunned to learn of the variations between towns and the potential impact this could have on arts and cultural nonprofits in our region and statewide. We spoke with the media, we fielded questions from nonprofits and spoke with municipal and legislative leadership about the issue.

In the end, following a meeting and a second review, the assessor's office reinstated the property tax exemptions for the Coalition and the Norwich Arts Center. Some other organizations' decisions were reversed as well. Lawsuits that would have cost taxpayers and nonprofits precious dollars were averted. For three months, our organizations were completely sidetracked by this issue. Our organization cancelled and delayed planned programs and activities.

Nonprofits are held to high standards to maintain federal and state tax exempt status and our annual 990 tax filings are available publicly online. Nonprofits are extremely transparent. We have lean budgets, lean staffs and are extremely efficient. We do understand and are sensitive to nonprofits' impact on municipal services and grand lists. Nonprofits have also had to pursue new revenue sources to be sustainable and to support their programs and mission. The business model has evolved, but the statute has not. Property taxes would affect arts and cultural nonprofits' ability to provide programs and services and to be sustainable. Arts and cultural nonprofits contribute to our community's vitality, economy and quality of life, and their tax exempt status should be protected.

Nonprofits are explicitly exempt from federal, state and local taxes for good reason: they exist for public benefit and must operate for specific charitable, educational, or religious purposes. The mission of nonprofits is to improve the health and well-being of our local communities, enhance the quality of life and serve the public good. In exchange, nonprofits are exempt from property, income and sales tax, and have access to tax-deductible contributions from individuals and corporations. This social compact dates back more than 100 years. Nonprofit organizations, just like any other business,

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should be able to rely on clear criteria and consistent application of the statute across all towns and cities, rather than arbitrary interpretation.

According to the Arts & Economic Prosperity 5 study, conducted by Americans for the Arts, Connecticut's nonprofit arts and culture industry generates \$797.3 million in annual economic activity in the state, supporting over 23,000 full-time equivalent jobs and generating \$72.3 million in local and state government revenues.

Nonprofit arts and cultural economic activity in New London County alone, \$168 million, is greater than each of the following states: Vermont, Delaware and Maine (Arts & Economic Prosperity 5, Southeastern Connecticut, 2015). These nonprofits attract 3.2 million visitors annually and contribute \$10.5 million in revenue to local and state government.

We urge the Planning & Development Committee to support H.B. 6103 to protect arts and cultural nonprofits.

Thank you for your consideration.

Sincerely,



Wendy Bury
Executive Director

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