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Think your non-profit is locally tax exempt? Don't assume so.

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By **Lisa McGinley**

Norwich Arts Center, Reliance Health, two VFW posts and United Community and Family Services all got a shock in early 2018 when the office of Norwich Assessor Donna Ralston notified them and other non-profit organizations that they **owed** (<https://www.theday.com/business/20180425/nonprofit-no-more-norwich-assessor-denies-tax-exemptions-to-agencies>) taxes on property assessed at up to \$4,370,200.

The issue took months of unraveling for organizations that held federal tax-exempt status and had become accustomed to having their exemption extend to state and local taxes. In spite of a Connecticut statute that requires applying for tax exemption every four years, many town assessors simply kept the original application on file and did not ask again.

Anyone who has sold snacks at a Little League game or collected nonperishables for a food bank or set up water stations for a charity run will recognize the mindset of pitching in to raise funds for a good cause. Non-profit agencies tend to be idealistic about the fact that they are trying to meet a need for the greater good. So imagine the shock and alarm when the more-or-less tacit practice of exempting their organizations from taxes is challenged. They don't budget for that.

Ding-Ding-Ding: Now it's four years since the filing deadline that the longstanding Norwich organizations and other non-profits missed in 2017. By Nov. 1, any 501 (c) (3) or other IRS-designated non-profit that wants property tax exemption **must apply** (<https://www.cga.ct.gov/2020/rpt/pdf/2020-R-0071.pdf>) and show proof of status or be liable for a tax bill on property it owned as of Oct. 1. Some cities and towns require only the application, while others want documentation that the real estate and personal property owned by the organization is **truly being used** (<https://www.cga.ct.gov/2020/rpt/pdf/2020-R-0071.pdf>) for its stated mission, whether that be for charitable, scientific, educational, literary, historical, or open-space land preservation purposes.

Like everything else in 2021, this situation has ramifications: from the pandemic; from the Covid-19 relief funds known as ARPA (American Rescue Plan Act); from the racism-awareness movement that has sprung up since the killing of George Floyd; and from climate change. New grassroots organizations develop in response to a societal issue that is seen as not getting enough attention; a spontaneous group turns into a long-term advocacy organization; money must be raised; and non-profit status is sought from the IRS.

The Southeastern Connecticut Cultural Coalition, which was surprised by the Norwich assessment on its office equipment in 2017, ended up advocating for small organizations similarly caught off guard. The coalition has been alerting organizations across Eastern Connecticut to the coming deadline in case their respective town assessors haven't done so.

Asked if there might be fewer small and start-up non-profits than in 2018 because of the strain of the Covid shutdown, Executive Director Wendy Bury said that, on the contrary, there is a "proliferation" of grassroots groups following the usual path to becoming a bona fide organization. Racial justice, start-up faith congregations, food and shelter have all become founding missions for groups of

advocates.

Bury hopes the ARPA funding going to municipalities will ease the chronic pressure on towns to balance their budgets for this year, at least. That doesn't change the liability of non-profits to apply for tax exempt status; a filing of documents every four years is a small price to pay. It is a legitimate way for towns to keep track and at the same time cut a break for the organizations that help make life livable.

Lisa McGinley is a member of The Day Editorial Board.

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Republican legislators note that Connecticut faces many other compelling needs apart from those of the tax credit recipients and that ordinary democracy first would have summoned the legislature or legislative leaders to discuss how to spend the \$75 million.

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Government should start questioning its policies and assumptions about the epidemic, including the assumption that the epidemic is so deadly that combating it must take priority over all other objectives in life.