



Recommendations to the Tax Restructuring and Equalization Task Force from Utah's Charitable Nonprofits

August 19, 2019

Senator Lyle W. Hillyard
Utah State Senate District 25
595 S Riverwoods Parkway, Suite 100
Logan, UT, 84321

Representative Francis D. Gibson
Utah State House District 65
208 S. 680 W.
Mapleton, UT, 84664

RE: Mitigating the Effects of Tax Reform on Utah's Charitable Nonprofits

Dear Co-Chairs Senator Hillyard and Representative Gibson:

We, Utah's charitable nonprofits, need your leadership to ensure that unfair tax burdens are not placed upon us so that Utah continues to be the top giving state in the nation. Without your action, Utah's charitable nonprofits face a future marked by declining individual giving, compounded by potentially unfavorable State and Federal tax laws.

Tax reform will drive future economic growth, determine what services the state provides, impact how taxpayers spend their money, and directly influence the resources available to our charitable nonprofits to complete their missions in service of Utah's communities. As emphasized in the June statement to the task force, we provide programs that are important to you and everyone in the state.

Nonprofits are everywhere. You worship in them. A person you know may utilize them for their opioid addiction. You may attend a fine arts performance. You or someone you know receives life-saving medical care in them. You take your kids or grandkids to a museum. You volunteer to feed the homeless with them. You adopt a rescue animal from them. Utah's nonprofits do all of this and more, because they matter to those they serve, and they should matter to the state too.

Utah's nonprofits are an important part of Utah's economy. In 2018, the number of nonprofits was 10,014, earning a combined \$14.2 billion in gross revenue and holding \$30 billion in assets (dollar figures are from those who reported). Close to 99% of them are small organizations earning below \$500,000 in revenue.

Even though there has been growth in numbers and revenue, federal tax law changes and national giving studies released in July of this year complicate this impressive picture. The largest decrease in tax liability was given to people making over \$250,000, but those making less saw a significantly lower or negligible decrease. The percent of taxpayers itemizing their taxes shrunk from 30% to 10% because of the higher federal standard deduction, resulting in \$54 billion in charitable donations not itemized and low-and-middle income households effectively not claiming charitable tax deductions. This has resulted in Foundation and corporate giving increasing by 4.7% and 2.9% (adjusted for inflation) respectively, with individual giving declining by 3.4%, (adjusted for inflation), and overall giving declining by 1.7%, (adjusted for inflation), for a total of \$427.71 billion for the sector in 2018.

Collectively, we are concerned that state tax reform will compound declining individual charitable donations and harmful federal tax policies. Without favorable state tax policies to redirect the individual giving trend, our charitable nonprofits will have to seek more funding from less sources. If state funding, in the form of grants and contracts is reduced or eliminated, more community needs will go unmet. Furthermore, any increase in taxes will constrain our already strained budgets that we work hard for. The consequence of not addressing these concerns will mean fewer resources available to help you, your families, and all Utah communities.

To support what we do as charitable nonprofits for Utah, we call upon both of you and members of the Tax Restructuring and Equalization Task Force to include the following recommendations in tax reform legislation:

1. **Protect Existing State Charitable Nonprofit Tax Exemptions:** Charitable nonprofits are exempt from various provisions under Federal and State tax law. Although exemptions result in a loss of tax revenue for the government, the benefits of providing these tax exemptions to our organizations outweigh lost tax revenue. We can continue providing needed services in all of Utah's communities with these exemptions. Losing or eroding any of the tax exemptions would threaten that. We call upon you to protect existing charitable nonprofit tax exemptions in State law.
2. **Continue Providing Resources to Charitable Nonprofits Working with the State:** The State legislates that its agencies carry out specific duties. Yet oftentimes these agencies rely on charitable nonprofits to complete those mandates. A reduction in state funding will limit the intended impact of services like, affordable housing and homeless resources, work trainings, education programs, arts and cultural activities, and much more. We call upon you to continue providing grants and contracts, with the needed funding, for charitable nonprofits working with the state to fill the unmet needs of Utah's various communities.
3. **Decouple the State Unrelated Business Income Tax (UBIT) from the Federal UBIT:** Many of us rely on unrelated business income to fund our services. We understand the need for unrelated business income taxes, but UBITs can be burdensome if the rate is set too high. The Tax Cuts and Jobs Act of 2017 placed a 21% UBIT on nonprofit employee transportation benefits and disallowed tax-exempt organizations from combining all unrelated business income streams for tax purposes. While there are bipartisan bills in Congress to repeal those provisions, there is no guarantee those will pass anytime soon. This year, Hawaii and Minnesota acted to decouple their UBIT laws from Federal UBIT laws on nonprofit transportation benefits. We call upon you to do the same and decouple the State UBIT from the Federal UBIT on nonprofit transportation benefits, and if applicable, match the UBIT rate to the new income tax rate.
4. **Include a Non-Itemized Charitable Tax Deduction:** Less people giving and fewer people itemizing their taxes means less money available for nonprofits and the communities they serve. In support of their nonprofit communities, states have already acted to bolster nonprofit revenue. Colorado has had a non-itemized charitable tax deduction since 2005 that kicks in when an individual's total giving amount is over \$500. In June, Arizona passed and signed into law a non-itemized charitable tax deduction that makes 25% of an individual's total charitable giving amount eligible for the deduction. Additional state legislatures are also considering non-itemized tax deductions. We call upon you to follow suit and include a non-itemized charitable tax deduction that incentivizes giving by all Utahns to Utah's charitable nonprofits.

We thank both of you and members of the Tax Restructuring and Equalization Task Force for considering the needs of Utah's charitable nonprofit community. Please know that we are ready to provide examples of our work, answer questions, and promote passage of legislation that includes these recommendations.

CC:

Senator Curtis S. Bramble Utah State Senate District 16	Representative Joel K. Briscoe Utah State House District 2	Mr. Gary Cornia
Senator Kirk A. Cullimore Utah State Senate District 9	Representative Tim Quinn Utah State House District 54	Ms. Kristen Cox
Senator Lincoln Fillmore Utah State Senate District 10	Representative Mike Schultz Utah State House District 12	Mr. M. Keith Prescott
Senator Karen Mayne Utah State Senate District 5	Representative Robert M. Spendlove Utah State House District 49	Mr. Steve P. Young

Signatories

Action Utah
AdventureVet
Bad Dog Arts
Canyonlands Field Institute
CAPSA
CenterPoint Legacy Theatre
Clever Octopus Inc.
Code Shelter
Community Action Partnership of Utah
Comunidades Unidas
Easterseals--Goodwill Northern Rocky Mountain Inc.
English Skills Learning Center
Epicenter
Food and Care Coalition
Friends for Sight
Friends of the Moab Folk Festival
Golden Rule Project
Historic Draper Playhouse
Holy Cross Ministries
Humane Society of Utah
Iron County Care & Share
Kids Who Count
Lillies of The Field
Memory Matters Utah



Strengthening Organizations That Strengthen Our Community

Midwives College of Utah
Mundi Project
National Federation of the Blind of Utah
National Tongan American Society
Neighborhood House
Nonprofit Legal Services of Utah
Northeastern Utah Avian Education Center
Ogden Nature Center
Park City Community Foundation
Peace House
Pioneer Craft House, Inc.
Pioneer Theatre Company
Playworks
Recycle Utah
Rescue Mission of Salt Lake
Ride with Respect
Ririe-Woodbury Dance Company
RiteCare Utah
Root for Kids
RRCI
SALT Contemporary Dance
Senior Charity Care Foundation
Slow Food Utah
Springville Museum of Art Association
Spy Hop Productions
Team Utah Snowboarding, Inc.
The Christmas Box International
The Community Education Partnership of West Valley City, Inc.
The Epilepsy Foundation of Utah
The Family Support Center
The Shimmer Sparkle Shine Project
The Utah Clean Air Partnership (UCAIR)
Treehouse Children's Museum
Umbrella Theater Company
Utah Academy of Family Physicians
Utah Afterschool Network
Utah Arts Festival
Utah Association for the Education of Young Children
Utah Children's Theatre
Utah Classical Guitar
Utah Development Academy
Utah Filmmakers Association
Utah Food Allergy Network
Utah Food Bank
Utah Head Start Association
Utah JumpStart Coalition
Utah Nonprofits Association



Strengthening Organizations That Strengthen Our Community

Utah Open Lands
Utah Operation Lifesaver
Utah Public Health Association
Utah Rivers Council
Utah Society for Environmental Education
WabiSabi
Warm Springs Alliance
Weber Pathways
Wild Utah Project
Wildlife SOS
YMCA of Northern Utah