

Bill as Introduced

HB 1583 - AS INTRODUCED

2010 SESSION

10-2263

10/09

HOUSE BILL **1583**

AN ACT relative to the property tax exemption for organizations with charitable activities.

SPONSORS: Rep. Daniels, Hills 6

COMMITTEE: Local and Regulated Revenues

ANALYSIS

This bill clarifies the definition of charitable for purposes of the exemption from property taxation for organizations with charitable activities.

Explanation: Matter added to current law appears in **bold italics**.
 Matter removed from current law appears ~~[in brackets and struckthrough.]~~
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Ten

AN ACT relative to the property tax exemption for organizations with charitable activities.

Be it Enacted by the Senate and House of Representatives in General Court convened:

- 1 1 Property Taxation; Charitable Exemption. Amend RSA 72:23-1 to read as follows:
2 72:23-1 Definition of "Charitable." The term "charitable" as used to describe a corporation,
3 society or other organization within the scope of this chapter, including RSA 72:23 and 72:23-k, shall
4 mean a corporation, society or organization established and administered for the purpose of
5 performing, and obligated, by its charter or otherwise, to perform some service of public good or
6 welfare advancing the spiritual, physical, intellectual, social or economic well-being of the general
7 public or a substantial and indefinite segment of the general public that includes residents of the
8 state of New Hampshire, with no pecuniary profit or benefit to its officers or members, or any
9 restrictions which confine its benefits or services to such officers or members, or those of any related
10 organization. ***The determination of "charitable" purposes shall not include consideration of***
11 ***bad debt, receivables, or net revenue.*** The fact that an organization's activities are not conducted
12 for profit shall not in itself be sufficient to render the organization "charitable" for purposes of this
13 chapter, nor shall the organization's treatment under the United States Internal Revenue Code of
14 1986, as amended. This section is not intended to abrogate the meaning of "charitable" under the
15 common law of New Hampshire.
16 2 Effective Date. This act shall take effect 60 days after its passage.

Speakers

Hearing Minutes

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

PUBLIC HEARING ON HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

DATE: January 21, 2010

LOB ROOM: 303 **Time Public Hearing Called to Order:** 10:05 am

Time Adjourned: 10:45 am

(please circle if present)

Committee Members: Reps. Walz, Taylor, Hamra, Theberge, Mulholland, Butterworth, D. Howard, Lyons, Merry, Stetson, C. Webber, Stohl, Kidder, Hess, P. Katsakiores, Vaillancourt, A. Peterson, M. Allen and Hinkle, Blankenbeker.

Bill Sponsors: Rep. Daniels, Hills 6

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Chairman Walz: Introduce HB 1583 – excludes administration of bad debt.

***Leslie Melby and Mike Rose** So NH Hospital Association and Southern NH Health System: Opposed to the bill. The bad debt exclusion - Bad debt is a misnomer, in medical system we provide uncompensated services all the time. Health care debt has a default rate of 95%.

Rep. Howard: What would the impact be. The whole hospital? A – Not likely. Some services and service areas might be.

Rep. Vaillancourt: Am I to understand that you pay no property tax? A No taxes. Q Do you pay anything in lieu of taxes. A-(some debate) No.

Rep. Howard: Are you federal non-profit. A Yes – Whole organization is 501.c.3.

Rep. Blackenbeker: Emergency area? Profit hospitals? There is a difference between activities in for-profit and non-profit hospitals.

Rep. Vaillancourt: Can you tell us how much you would have to pay, what % of revenues. A – don't know. Q – Annual revenues? \$220M

Rep. Daniels – Sponsor -Selectman in town of Milford. We had a medical organization that asked for Charitable Definition, based on offering some bad debt services. Our attorneys said the statutes were vague. This doesn't say that Hospitals can't do charitable giving, but if they send a bill then it can't be charitable.

Rep. Vaillancourt: How much of an impact would this have in your town. A Don't know – could be some of charged and some charitable.

Rep. Vaillancourt: Would this apply to other places than hospitals? A – Don't know.

Chairman Walz: I'm trying to understand – if they tell you ahead of time you don't have to pay, it would be charitable.

Rep. Butterworth: Definition of charitable is different in law as opposed to common use? Harvard College? Isn't this really a question of charging? A Yes.

Rep. Hamm – Hospitals don't get to choose.

Stephen Hamilton, DRA –does not support or oppose -Several types of exemptions, this is the charitable part. No area has had more supreme court decisions than any other. 72:23-L

Rep. Vaillancourt: Do you know how this would impact a town. A – This is a slight tightening up of definition. Not-for-Profits might be hurt.

Q – In lieu of taxes? A – a voluntary donation.

Rep. Butterworth: A whole series of questions re non-profit hospitals. A They might lose there non-profit status if they can't include the uncompensated care as part of their service to the community.

Rep. Howard: Questions re. Non-profits.

Rep. Hamm: Did you say this might drive some hospitals out of business? A – No.

Rep. Vaillancourt: Is this all or nothing? A – Apportionment could happen, but seems difficult in a hospital.

Erika Bodwell – - withdraw my testimony.

Respectfully submitted,



Rep. Tim Butterworth
Clerk

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

PUBLIC HEARING ON HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

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Committee Members: Reps. Walz, ~~Taylor~~, Hamm, ~~Theberge~~, Mulholland, Butterworth, D. Howard, Lyons, Merry, Stetson, C. Webber, Stohl, Kidder, ~~Hess~~, P. ~~Katsakiores~~, Vaillancourt, A. Peterson, M. Allen and Hinkle, Blankenkemper.

Bill Sponsors: Rep. Daniels, Hills 6

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Rafeal, Linda

From: Tim [kayandtim@hughes.net]
Sent: Thursday, January 21, 2010 10:47 AM
To: Rafeal, Linda
Subject: Emailing: HB 1583
Follow Up Flag: Follow up
Flag Status: Completed

LOCAL AND REGULATED REVENUES

HOUSE SCHEDULING NOTICE

HEARINGS

THURSDAY 1/21/2010

LOCAL AND REGULATED REVENUES

LOB 303 10:05 AM

HB 1583 Relative to the property tax exemption for organizations with charitable activities.

Sponsors: Rep. Daniels

Daniels: Not present

Walz: Introduce HB 1583 – excludes administration of bad debt.

Leslie Melby & Mike Rose *– NH Hospital Association: Opposed to the bill. The bad debt exclusion Mike Southern NH Health System. Bad debt is a misnomer, in medical system we provide uncompensated services all the time. Health care debt has a default rate of 95%.

Howard: What would the impact be. The whole hospital? A – Not likely. Some services and service areas might be.

Vaillancourt: Am I to understand that you pay no property tax? A – No taxes. Q – Do you pay anything in lieu of taxes.

1/26/2010

Howard: Are you federal non-profit. A Yes – Whole organization is 501.c.3.

Blackenbecker: Emergency area? Profit hospitals? There is a difference between activities in for-profit and non-profit hospitals.

Vaillancourt: Can you tell us how much you would have to pay, what % of revenues. A – don't know. Q – Annual revenues? \$220M

Rep. Daniels – Selectman in town of Milford. We had a medical organization that asked for Charitable Definition, based on offering some bad debt services. Our attorneys said the statutes were vague. This doesn't say that Hospitals can't do charitable giving, but if they send a bill then it can't be charitable.

Vaillancourt: How much of an impact would this have in your town. A – Don't know – could be some of charged and some charitable.

Vaillancourt: Would this apply to other places than hospitals? A – Don't know.

Walz: I'm trying to understand – if they tell you ahead of time you don't have to pay, it would be charitable.

Butterworth: Definition of charitable is different in law as opposed to common use? Harvard college? Isn't this really a question of charging? A – Yes.

Hamm – Hospitals don't get to choose.

Stephen Hamilton, DRA – Several types of exemptions, this is the charitable part. No area has had more supreme court decisions than any other. 72:23-L

Vaillancourt: Do you know how this would impact a town. A – This is a slight tightening up of definition. Not-for-Profits might be hurt.

Q – In lieu of taxes? A – a voluntary donation.

Butterworth: A whole series of questions re non-profit hospitals. A They might lose there non-profit status if they can't include the uncompensated care as part of their service to the community.

Howard: Questions re. Non-profits.

Hamm: Did you say this might drive some hospitals out of business? A – No.

Vaillancourt: Is this all or nothing? A – Apportionment could happen, but seems difficult in a hospital.

Erika Bodwell – withdraw my testimony.

Close at 10:45.

Sub-Committee Actions

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

SUBCOMMITTEE WORK SESSION ON HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

DATE: February 2, 2010

Subcommittee Members: Reps. Mulholland, Merry, Howard, Blankenbeker, Vaillancourt (absent)

Comments and Recommendations:

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL Retained (Please circle one.)

Moved by Rep. Howard

Seconded by Rep. Merry

Vote: 4-0

Motions: OTP, OTP/A, ITL, Retained (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Respectfully submitted,

Rep. Mulholland
Subcommittee Chairman/Clerk

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

SUBCOMMITTEE WORK SESSION ON HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

DATE: 2/2/10

Subcommittee Members: Reps. Mulholland, Merry, Howard, Blumberg, Vaillancourt (absen)

Comments and Recommendations:

Amendments:

Sponsor: Rep. OLS Document #:
Sponsor: Rep. OLS Document #:
Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, (ITL), Retained (Please circle one.)

Moved by Rep. Howard.

Seconded by Rep. Merry

Vote: 4-0

Motions: OTP, OTP/A, ITL, Retained (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote:

Respectfully submitted,

Rep.
Subcommittee Chairman/Clerk

Testimony



8 PROSPECT STREET P.O. BOX 2014 NASHUA NH 03061 (603) 577-2000

HOUSE LOCAL AND REGULATED REVENUES COMMITTEE

January 21, 2010

HB 1583

Relative to the property tax exemption for organizations with charitable purposes

Testimony

My name is Michael Rose. I am the Chief Financial Officer for Southern New Hampshire Health System, which is the parent company for Southern New Hampshire Medical Center, a 188 bed hospital in Nashua, and Foundation Medical Partners, a physician practice comprised of 180 health care providers. All three entities are recognized as 501(c)(3) charities under IRS code. I am here today in opposition to HB 1583.

“Bad Debt” is an accounting term. In healthcare, it is a misnomer, and might better be described as “Uncompensated Care”. In most industries, it is clear what bad debt means. If you go to Home Depot, apply for a credit card, get approved, walk out the door with your merchandise, but fail to pay off your credit card....this is clearly bad debt.

This does not, however, translate clearly into the healthcare setting. In our world, where the hospital and physicians work in an integrated health system and provide a full continuum of health care services, if a patient walks into any access point within the Southern New Hampshire Health System, we are duty bound by our mission to treat all patients, whether or not they have the wherewithal to pay.

To illustrate this point, an uninsured patient walks into Southern New Hampshire Medical Center and is treated by an Emergency Room physician who admits the patient for an emergency appendectomy. The surgery is performed by a Foundation Medical Partners surgeon. While the patient is an inpatient at our hospital, other health problems such as hypertension and diabetes are identified. The patient is discharged from the hospital with a follow-up treatment plan that includes services to be provided at a Foundation Medical Partners office practice. This patient is also referred to our Financial Counseling Program, where we go to great expense to provide assistance in enrolling patients in programs such as Medicaid, or documenting qualification under our Charity Care Program. If the patient’s condition requires prescribed medications which he cannot afford, we will enroll the patient in our Pharmacy Assistance Program.

However, the unfortunate reality is that the majority of patients referred for financial counseling in our system never follow through with the application process. Most of the patients who fail to provide the documentation necessary to qualify for our Charity Care Program are indeed indigent. Yet if you are worried about how you're going to pay for your next meal, or where you are going to sleep tonight, then taking the initiative to prove indigence is low on your priority list.

The current process for recognizing local property tax exemptions for not-for-profit charitable trusts takes into account the broad definition of "charitable" set forth by the Legislature. Whereas I appreciate the desire to add some clarity to this process, HB 1583 fails to recognize the true nature of healthcare bad debt. Further, it is inconsistent with a longstanding recognition by the State of New Hampshire of the burden that both bad debt (uncompensated care) and charity care have on our state's not-for-profit healthcare providers. In fact, the State's Medicaid Disproportionate Share Hospital Program, which brings in about \$100 million per year in federal funds to be deposited in the state's General Fund, recognizes both uncompensated care (bad debt) and charity care provided by hospitals in justifying this \$100 million per year federal matching funds.

In the rest of the business world, default rates on extended credit are typically 5% in good times and as high as 10% in bad times. In our world, the default rate on hospital medical debt is routinely in excess of 90% and in excess of 80% for our physician practices. Clearly, we are dealing with a different dynamic.

Finally, the Legislature left the definition of "charitable" intentionally broad, as it should be, to encompass a broad range of charitable organizations. The key measure of whether an organization is "charitable" is whether it is providing a service of public good. HB 1583 proposes to narrow the definition of "charitable" to an extent that would have a particular, and unfair, impact on hospitals.

For the reasons I've described, I respectfully request that the Committee finds HB 1583 inexpedient to legislate.

Thank you.

LRGHealthcare

care. compassion. community

January 29, 2010

Representative Mary Beth Walz
25 One Stack Drive
Bow, NH 03304-4708

RE: Subcommittee Relative to the Property Tax Exemption for Organizations with Charitable Purposes: HB 1583

Dear Chairwoman Walz:

Unfortunately, I was not able to make the January 21, 2010 Meeting of the House Local and Regulated Revenues Committee. I would appreciate the opportunity to speak at a future Subcommittee meeting if that is possible.

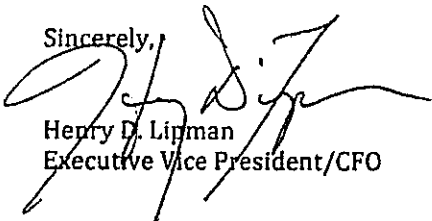
By way of introduction, my name is Henry Lipman. I am the Executive Vice President and Chief Financial Officer for LRGHealthcare, which is the health care charitable trust that operates Franklin Regional Hospital in Franklin and Lakes Region General Hospital in Laconia. Let me summarize some of our concerns:

1. LRGHealthcare's property tax exemptions is \$1.2 million per year currently. This amount is greater than our operating income.
2. In our fiscal year ending September 30, 2008, we provided over \$29.0 million in Community Benefit valued at cost and expect that number to be even greater for fiscal year 2009.
3. The statute already states that the fact an entity is a not for profit, or is exempt under the Internal Revenue Code doesn't render an organization "charitable" under the statute. The proposed additional language doesn't add anything. The test, as I read it isn't financial. The real test of charitable purpose is what the organization does. It must "perform some service of public good or welfare advancing the spiritual, physical, intellectual, social or economic well-being of the general public or a substantial and indefinite segment of the general public that includes residents of the state of New Hampshire".
4. I understand the argument that was put forth at the public hearing stated that "bad debt" was not charity because the Hospital went after "bad debts" and only when they were not collected, were they deemed charitable and of community benefit. Consequently, some believe this distinction as opposed to giving patients outright relief from paying their bills, is an indication that they exist as a commercial organization and not a typical charitable organization.

One only has to look at the State of NH's own consultant's opinion in an "Analysis of Health care Charitable Trusts in the State of New Hampshire: The Hospital Sector" to see that bad debt certainly has a large charitable component (please the attached).

Thank you for your time and consideration.

Sincerely,


Henry D. Lipman
Executive Vice President/CFO



The Health of New Hampshire's Community Hospital System

A Financial and Economic Analysis

Section II – Analysis of Health Care Charitable Trusts In the State of New Hampshire: The Hospital Sector



Office of Planning and Research
New Hampshire Department of Health and Human Services
129 Pleasant Street • Concord, New Hampshire 03301
www.dhhs.state.nh.us

Community Benefit Benchmarks

Quantifiable community benefit benchmarks are less well established than financial performance benchmarks, and even those that can be quantified are less standardized than the traditional elements found on balance sheets, income statements, and statements of cash flow. Several states have developed community benefit reporting formats with detailed instructions on how to quantify and report the various types of community benefits that might be important to a particular community (Noble, Hyams and Kane, 1999). New Hampshire also has a formal community benefit reporting format.⁸

Our community benefits analysis was more exploratory than is the financial analysis. It sought to identify the elements of community benefits that are currently reported and publicly available, and to relate those elements to various denominators used to calibrate the relative adequacy of those benefits (e.g., the value of tax benefits and the level of gross patient revenues). The intent was to identify potential benchmarks and show how hospitals measure up against those benchmarks with historical data, much of which is based on estimates. However, the state decided (in SB 69) to define and collect a broader array of measures of community benefits. Two of the elements examined – bad debt and Medicaid shortfalls – may not be counted as community benefits. They are presented here as examples.

We were able to directly obtain only one measure of community benefit across all hospitals – the provision of free care. Values for bad debt (in charges) are also directly available. However, the new Community Benefits statute is clear that “charity care” should not include bad debts, which are amounts the hospital initially classifies as revenues owed to them, and which it is subsequently unable to collect (generally after multiple efforts to collect have failed). We do not intend to imply that this distinction is not appropriate. We acknowledge that it is likely, based on the literature on this topic, that at least some of the bad debts shown on historical financial statements are likely to have been considered free care if certain conditions had been present (i.e., a free care policy was publicly posted and patients were aware of its existence; or a hospital was willing to devote the resources to actively identify reluctant recipients of charity and help them fill out the necessary forms for eligibility, which could also require the availability of translation

⁸ The first community benefit plan filings, together with the results of the (statutorily required) community needs assessments, were received in the Office of the Attorney General, Charitable Trusts Unit, in the fall of 2000. The list of filings received to date and information on how to obtain copies is available on the Unit's website: <http://webster.state.nh.us/nhdoj/CHARITABLE/char.html>.

services). In recognition of the likelihood that some bad debt may be free care, we considered the impact on our benchmarks if 50% of bad debts were considered to be charitable, as one benchmark possibility. If free care designations receive heightened scrutiny in the future, we think it is likely that some patients who would historically have been classified as bad debtors will instead be classified as free care recipients. Thus, our historical benchmark analysis adjusts for that possibility.

From our early presentations to hospitals, some hospital representatives felt that Medicaid shortfalls (the shortfall between Medicaid payment and Medicaid costs) should be considered as part of the community benefits hospitals provide. Only a handful of hospitals quantified the Medicaid shortfall in the footnotes to their audited financial statements. To at least begin the policy debate on the role of Medicaid shortfalls, we undertook an estimation of Medicaid shortfalls for each hospital for 1998 only, based on a study done by the New Hampshire Department of Health and Human Services, Office of Planning and Research. If Medicaid shortfalls are to be considered quantifiable community benefits in the future, it is recommended that the state develop a standardized method for calculating and reporting this value.

Another element of community benefits that we considered is the provision of what is considered in the literature to be "essential community services" that nearly always incur operating deficits. These services include neonatal intensive care units, trauma services, burn units, and HIV/AIDS services. Although we do not have the information to quantify losses incurred on such services, we did identify which hospitals had them.

Voting Sheets

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

EXECUTIVE SESSION on HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

DATE: February 9, 2010

LOB ROOM: 303

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, (ITL) Interim Study (Please circle one.)

Moved by Rep. Mulholland

Seconded by Rep. Peterson

Vote: 14-3 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE:

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Timothy Butterworth, Clerk

HOUSE COMMITTEE ON LOCAL AND REGULATED REVENUES

EXECUTIVE SESSION on HB 1583

BILL TITLE: relative to the property tax exemption for organizations with charitable activities.

DATE: 2/9/10

LOB ROOM: 303

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL Interim Study (Please circle one.)

Moved by Rep. Mulholland

Seconded by Rep. Peterson

Vote: 14-3 (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

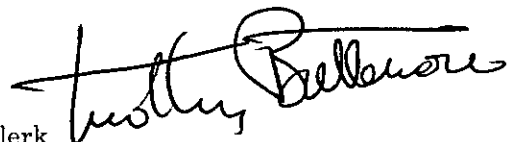
CONSENT CALENDAR VOTE:

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Timothy Butterworth, Clerk



LOCAL AND REGULATED REVENUES

Bill #: 1583 Title: Relative to the property tax exemption for organizations with charitable activities
 PH Date: 1, 21, 10 Exec Session Date: 2, 9, 10

Motion: ITL Amendment #: _____

MEMBER	YEAS	NAYS
Walz, Mary Beth, Chairman	✓	
Taylor, Kathleen N, V Chairman	✓	
Hamm, Christine C	✓	
Theberge, Robert L	✓	
Mulholland, Catherine	✓	
Butterworth, Timothy, Clerk	✓	
Howard, Doreen	✓	
Lyons, Melissa L.B.	✓	
Merry, Liz H	✓	
Stetson, William A		✓
Webber, Carolyn B	✓	
Stohl, Eric G	✓	
Kidder, David H <i>ab</i>		
Hess, David W <i>ab</i>		
Katsakiores, Phyllis M <i>ab</i>		
Vaillancourt, Steve		✓
Peterson, Andrew R	✓	
Allen, Mary M	✓	
Hinkle, Peyton B	✓	
Blankenbeker, Lynne Ferrari		✓
	14	3
TOTAL VOTE:		

Committee Report

REGULAR CALENDAR

February 17, 2010

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Majority of the Committee on LOCAL AND
REGULATED REVENUES to which was referred
HB1583,**

**AN ACT relative to the property tax exemption for
organizations with charitable activities. Having
considered the same, report the same with the following
Resolution: RESOLVED, That it is INEXPEDIENT TO
LEGISLATE.**

Rep. Catherine Mulholland

FOR THE MAJORITY OF THE COMMITTEE

**MAJORITY
COMMITTEE REPORT**

Committee: **LOCAL AND REGULATED REVENUES**
Bill Number: **HB1583**
Title: **relative to the property tax exemption for
organizations with charitable activities.**
Date: **February 17, 2010**
Consent Calendar: **NO**
Recommendation: **INEXPEDIENT TO LEGISLATE**

STATEMENT OF INTENT

This bill was brought to the committee requesting that bad debts should be excluded when considering "charitable" purposes for an organization requesting exemption from property taxes. Testimony from the attorney general's office indicates that there is statutory provision requesting bad debts. In fact the definition of a charitable organization as defined by the IRS doesn't confer automatic exemption from property taxes. It is up to the local authority to determine whether the property provides charitable services to the community and a negotiation between the parties generally results in agreement as to an appropriate payment in lieu of taxes.

Vote 14-3

Rep. Catherine Mulholland
FOR THE MAJORITY

Original: House Clerk
Cc: Committee Bill File

REGULAR CALENDAR

LOCAL AND REGULATED REVENUES

HB1583, relative to the property tax exemption for organizations with charitable activities.
INEXPEDIENT TO LEGISLATE.

Rep. Catherine Mulholland for the **Majority** of LOCAL AND REGULATED REVENUES. This bill was brought to the committee requesting that bad debts should be excluded when considering "charitable" purposes for an organization requesting exemption from property taxes. Testimony from the attorney general's office indicates that there is statutory provision requesting bad debts. In fact the definition of a charitable organization as defined by the IRS doesn't confer automatic exemption from property taxes. It is up to the local authority to determine whether the property provides charitable services to the community and a negotiation between the parties generally results in agreement as to an appropriate payment in lieu of taxes. **Vote 14-3.**

Original: House Clerk
Cc: Committee Bill File

COMMITTEE REPORT

COMMITTEE: Local & Regulated Revenue

BILL NUMBER: HB 1583

TITLE: Tax exempt charitable organizations

DATE: 2/9/10 CONSENT CALENDAR: YES NO

- OUGHT TO PASS
- OUGHT TO PASS W/ AMENDMENT
- INEXPEDIENT TO LEGISLATE
- INTERIM STUDY (Available only 2nd year of biennium)

Amendment No.

STATEMENT OF INTENT:

COMMITTEE VOTE: 14-3

- Copy to Committee Bill File
 - Use Another Report for Minority Report

RESPECTFULLY SUBMITTED,
Rep. Caleb D. Johnson
For the Committee

HB 1583 ITL

This bill was brought to the committee requesting that bad debts should be excluded when considering "charitable" purposes for organizations requesting exemption from property taxes.

Testimony from the attorney general's office indicates that there is statutory provision regarding bad debts.

In fact the definition of a charitable organization as defined by the IRS does not confer automatic exemption from property taxes. It is up to the local community to determine whether the property provides charitable services to the community and a negotiation between the parties generally results in agreement as to an appropriate payment ~~for services~~ in lieu of taxes.

Calvin

Approved May 1964

REGULAR CALENDAR

February 17, 2010

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Minority of the Committee on LOCAL AND
REGULATED REVENUES to which was referred
HB1583,**

**AN ACT relative to the property tax exemption for
organizations with charitable activities. Having
considered the same, and being unable to agree with
the Majority, report with the recommendation that the
bill OUGHT TO PASS.**

Rep. Steve Vaillancourt

FOR THE MINORITY OF THE COMMITTEE

MINORITY COMMITTEE REPORT

Committee: LOCAL AND REGULATED REVENUES
Bill Number: HB1583
Title: relative to the property tax exemption for organizations with charitable activities.
Date: February 17, 2010
Consent Calendar: NO
Recommendation: OUGHT TO PASS

STATEMENT OF INTENT

This bill was introduced with a recommendation from a town counsel and an attorney at the Local Government Center who both asserted that the current statute regarding charities is vague and in need of clarification. RSA 7 states that any charity care "does not include any sums identified as bad debt, a receivable or revenue." This language does not exist in RSA 72 definition of "charitable". Conflict arises when "charitable" organizations seek a reduction of their property tax based on RSA 72, when they contend that bad debt is charitable giving. Towns take the position that bad debt is not charitable giving. This bill seeks clarity and consistency between definitions, thus saving time and money at the local level. The majority warns about the "unintended consequences" of this bill. While unsure what the majority was referring to, the minority is much more concerned with the intended consequences of this bill. A consequence will be that some institutions which are masquerading charities would no longer be able to do so. They may well be required to pay local property taxes thus lowering property taxes for every other taxpayer. The majority argues that charities can already pay "in lieu of taxes" but the minority stresses that such payments are completely voluntary and often not made. In fact, the committee heard from one lobbyist opposed to this bill. He acknowledged that his business (a hospital company) generates \$220 million in annual revenues but does not pay a penny in lieu of taxes. At a time when executives of these institutions are making hundreds of thousands of dollars and lobbyists in fact are making close to six figures if not more, the minority welcomes the intended consequence that these "charities" pay their fair share of property taxes, thus relieving the burden on hard-pressed homeowners.

Original: House Clerk
Cc: Committee Bill File

Rep. Steve Vaillancourt
FOR THE MINORITY

Original: House Clerk
Cc: Committee Bill File

REGULAR CALENDAR

LOCAL AND REGULATED REVENUES

HB1583, relative to the property tax exemption for organizations with charitable activities.
OUGHT TO PASS.

Rep. Steve Vaillancourt for the **Minority** of LOCAL AND REGULATED REVENUES. This bill was introduced with a recommendation from a town counsel and an attorney at the Local Government Center who both asserted that the current statute regarding charities is vague and in need of clarification. RSA 7 states that any charity care "does not include any sums identified as bad debt, a receivable or revenue." This language does not exist in RSA 72 definition of "charitable". Conflict arises when "charitable" organizations seek a reduction of their property tax based on RSA 72, when they contend that bad debt is charitable giving. Towns take the position that bad debt is not charitable giving. This bill seeks clarity and consistency between definitions, thus saving time and money at the local level. The majority warns about the "unintended consequences" of this bill. While unsure what the majority was referring to, the minority is much more concerned with the intended consequences of this bill. A consequence will be that some institutions which are masquerading charities would no longer be able to do so. They may well be required to pay local property taxes thus lowering property taxes for every other taxpayer. The majority argues that charities can already pay "in lieu of taxes" but the minority stresses that such payments are completely voluntary and often not made. In fact, the committee heard from one lobbyist opposed to this bill. He acknowledged that his business (a hospital company) generates \$220 million in annual revenues but does not pay a penny in lieu of taxes. At a time when executives of these institutions are making hundreds of thousands of dollars and lobbyists in fact are making close to six figures if not more, the minority welcomes the intended consequence that these "charities" pay their fair share of property taxes, thus relieving the burden on hard-pressed homeowners.

Original: House Clerk
Cc: Committee Bill File

MINORITY REPORT

COMMITTEE: _____

BILL NUMBER: 1583

TITLE: Tax exempt charitable organizations

DATE: 2/9/10 CONSENT CALENDAR: YES NO

- OUGHT TO PASS
- OUGHT TO PASS W/ AMENDMENT
- INEXPEDIENT TO LEGISLATE
- INTERIM STUDY (Available only 2nd year of biennium)

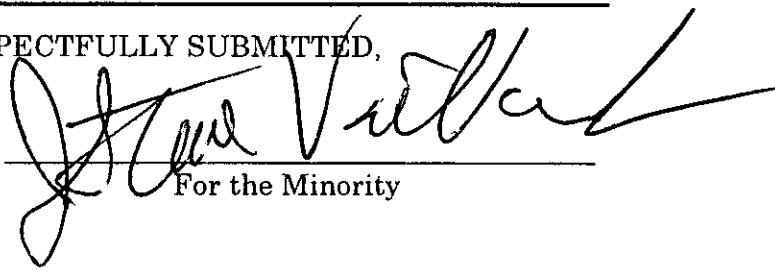
Amendment No.

STATEMENT OF INTENT:

COMMITTEE VOTE: _____

• Copy to Committee Bill File

RESPECTFULLY SUBMITTED,

Rep. 
For the Minority

Rafeal, Linda

From: Vaillancourt, Steve
Sent: Thursday, February 11, 2010 3:26 PM
To: Rafeal, Linda
Subject: FW:

From: Vaillancourt, Steve
Sent: Thu 2/11/2010 1:11 PM
To: Vaillancourt, Steve
Subject:

House Bill 1583
Minority Report

Rep. Steve Vaillancourt for the minority of Local and Regulated Revenues: This bill was introduced with a recommendation from a town counsel and an attorney at the Local Government Center who both asserted that the current statute regarding charities is vague and in need of clarification. RSA 7 states that any charity care "does not include any sums identified as bad debt, a receivable or revenue." This language does not exist in RSA 72 definition of "charitable". Conflict arises when "charitable" organizations seek a reduction of their property tax based on RSA 72, when they contend that bad debt is charitable giving. Towns take the position that bad debt is not charitable giving. This bill seeks clarity and consistency between definitions, thus saving time and money at the local level. The majority ~~(or at least one member of the majority since that seems to be the only phrasing allowed under new rules)~~ warns about the "unintended consequences" of this bill. While unsure what the majority was referring to, the minority ~~(or at least the blurb writer)~~ is much more concerned with the intended consequences of this bill. A consequence will be that some institutions which are masquerading charities would no longer be able to do so. They may well be required to pay local property taxes thus lowering property taxes for every other taxpayer. The majority ~~(at least one member)~~ argues that charities can already pay "in lieu of taxes" but the minority (this member) stresses that such payments are completely voluntary and often not made. In fact, the committee heard from one lobbyist opposed to this bill. He acknowledged that his business (a hospital company) generates \$220 million in annual revenues but does not pay a penny in lieu of taxes. At a time when executives of these institutions are making hundreds of thousands of dollars and lobbyists in fact are making close to six figures if not more, the minority welcomes the intended consequence that these "charities" pay their fair share of property taxes, thus relieving the burden on hard-pressed homeowners.