

Mayor Narkewicz,

Enclosed is a policy statement from the Providers' Council, the largest social service association in the State. I thought you might be interested in this overview of PILOTS, and some of the concerns they raise. Thanks for visiting the Y. We appreciate it.

A handwritten signature in black ink, appearing to read "John McClellan". The signature is written in a cursive, flowing style with some loops and flourishes.



Providers' Council Policy Statement on PILOTs

The Providers' Council's mission is to promote a healthy, productive and diverse human services sector. Organizations in this sector are registered primarily as tax-exempt nonprofits which provide community-based care. These organizations are classified as charitable tax-exempt nonprofit organizations – both under federal law (section 501(c)(3) of the internal revenue code) and state law (M.G.L. Chapter 59, Section 5, Clause 3). They receive exemptions from income taxes (federal and state) and local property taxes.

The primary focus of these nonprofit human services organizations is twofold: to care for the state's most vulnerable residents and to provide a benefit to the public and the communities they serve. The Providers' Council agrees with the rationale codified by federal and state law implying that the value these charitable organizations provide to the community is far greater and more impactful than any potential tax contributions. These human services organizations often leverage government and private donations to maximize quality services to local residents.

Human services nonprofits deliver essential services to our most vulnerable populations; take care of our sick, elderly and disadvantaged; educate our young; serve individuals with a disability or those experiencing homelessness; and provide residents with services that might otherwise be unavailable but are essential to protect and to care for people in our society. If not for our sector, communities would have to find different and – we assert – more costly and inefficient solutions to these public issues. Unlike some other nonprofits, human services organizations receive funding primarily through state contracts. We cannot unilaterally raise our prices, increase tuition or impose taxes to generate more funding from our revenue sources or the people we serve.

But the sector's benefits are not solely related to care-giving: the human services sector provides significant benefits to the state's economy as well. The sector employs more than 185,000 individuals, nearly all of whom work in Massachusetts and spend money in our local communities. The sector generates an estimated \$112 million in state and local taxes and creates an additional 34,000 non-sector jobs through its primarily local spending. Beyond this tax revenue, human services nonprofits also help fuel local economies by purchasing goods and services for organizations and clients. Additionally, these nonprofits pay municipal fees for inspections, certifications and other items, just like any other business entity.

Demands from municipalities that our sector make payments in lieu of taxes (PILOTs) to them, however, violate the bond of trust that we have shared for many years. These demands have increasingly forced tax-exempt organizations to yield to the pressure and make a so-called "voluntary" payment.

Occasionally, the pressure borders on illegal, with threats of withholding or delaying permits or other municipal services or approvals. These activities and practices should not be tolerated.

We have built the social safety net in a partnership, directing our best efforts based on the needs of the community and not generating any financial profit for individual or private gains. Our benefit to clients, consumers and communities is the focal point of our mission to benefit the public good. We also are mindful that donors who have given charitable contributions to support our mission do not intend to have their important donation diverted into municipal coffers on a so-called "voluntary" basis. This is a violation of donor intent and could damage our ability to raise funds to support our missions.

Further, our nonprofits are not immune to the economic downturn; they are also experiencing significant financial difficulties in this economy, and asking them to divert dollars into payments that were intended to benefit children, families and those in need would only result in providing fewer services, serving fewer clients and employing fewer individuals.

Accordingly, the Providers' Council supports the following position regarding any efforts by local government entities to collect payments in lieu of property taxes from human services nonprofit organizations –or– any efforts by local government to collect a fee directed only at human services nonprofit organizations:

The Providers' Council opposes payments in lieu of taxes (PILOTs) in any form for charitable human services organizations. Further, the Council opposes municipal or state government pursuing the collection of fees that would undercut the property-tax exemptions of those organizations. Our sector provides unique value and contributions to cities and towns across Massachusetts and should be recognized as such.

If you are interested in this position and would like more information, please contact us at info@providers.org