

The Oregon State Grange on Senate Bill 181A

May 9, 2017

The Oregon State Grange urges you to reject Senate Bill 181A.

SB 181A will further contribute to the state's urban-rural divide by imposing onerous requirements on the charitable institutions that are most important in rural communities throughout the state.

The bill creates a requirement for public charities, but exempts some of the state's largest nonprofits (e.g., art museums, history museums, science museums, etc.), which have paid, professional staffs. These large organizations are the ones mostly likely to be able to comply with the extra burden that the law imposes. How is this fair or logical?

The way that this bill and Oregon law are written creates confusion over whether this bill will affect local Grange chapters around the state. ORS 307.136 applies to property tax exemptions for Granges and other specific fraternal organizations. This bill applies to ORS 307.130, which applies to public charities. Local Granges do a lot of charitable work, and most are incorporated as Public Benefit Corporations, the same corporate status as public charities. Because of the Granges' incorporation status, we are concerned that county assessors or state officials might construe Granges as also falling under Section 307.130.

Even if it is determined that this bill doesn't directly impact the filing requirements of local Granges, the Oregon State Grange remains opposed to this bill. We are deeply concerned that if the Legislature is coming for the smaller 501(c)3 charities now, they will eventually also come for the other 501(c) nonprofits like fraternal organizations.

Moreover, whether pertaining to strictly charitable institutions or to fraternal organizations, this bill is completely unnecessary because...

- **All tax-exempt nonprofit corporations (which is what the bill applies to) must already file a return each year with the Internal Revenue Service.** In the case of the Grange, the State Grange files a Form 990, and the individual, local chapters file a Form 990, 990EZ or 990N ePostcard. These forms confirm the continuing operation of each chapter, and are required to maintain their exemption from income tax.
- Because these entities are incorporated, **they also must pay a fee each year and file a report with the Oregon Secretary of State.** These reports to the Secretary of State confirm the organizations' contact information and responsible persons, along with the fact the organization is still operating.
- **Most public benefit corporations (i.e., charitable institutions) also must register with the Oregon Department of Justice,** and submit a fee and Form CT-12 return to that

agency each year. This requirement allows DOJ to monitor operating status, income and level of charitable work conducted.

- ***The reports to the Secretary of State, DOJ and IRS are a matter of public record.*** County assessors can easily access Secretary of State reports online for free. DOJ makes their filings available for free on its website. Tax-exempt organizations' IRS 990 filings also are available online for free through GuideStar, the Urban Institute or the IRS.
- ***Therefore, adding a requirement for charities to also report annually to county assessors or the Oregon Department of Revenue is duplicative; it provides no added value to government, but creates an extra burden for charitable organizations.***

Despite the significant quantity of charitable work that local nonprofits do—especially Granges—many organizations are staffed completely by volunteers. Many handle little money, but provide much labor. They already have difficulty keeping up with current annual filing requirements.

For Granges, most chapters are so small that the combined amount of their charitable giving and the expenses to keep the doors open are a tiny drop in the proverbial bucket each year. Still, these organizations' giving is important in their communities, which typically are very small and sparsely populated.

Overall, these organizations' volunteers have neither the time, experience, nor education to consistently meet new annual reporting requirements. And, if they don't meet them, this law provides that the local assessor will take away their property tax exemption, and retroactively impose 5 years' worth of back taxes, which the chapters in turn won't be able to pay, which in turn will mean the assessor will take the property.

This seems like an attempt to backfill the state's budget gap with higher taxes on nonprofit charities. It will further exacerbate the chasm between rural and urban Oregonians. And all for an amount of money that is tiny, if not inconsequential.

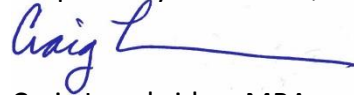
The Fiscal Impact Statement of the Legislative Fiscal Office says counties around the state will spend at least a combined \$650,000 per year to monitor about 100 properties for most counties. The economist in the Legislative Revenue Offices says this will be expected to generate "minimal" revenue.

And yet, even though that revenue will not even equal a drop in the bucket to state and local governments, it will create a disproportionately massive impact on the small organizations that will unreasonably have to bear the new reporting burden.

In reality, this bill creates a substantial duplication of effort to collect information that's already collected and available elsewhere. The Oregon State Grange agrees with the Nonprofit

Association of Oregon, and other nonprofit service organizations around the state that this bill constitutes bad policy.

Respectfully Submitted,



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PERTINENT NOTES ABOUT GRANGES IN OREGON

1. Local chapters of the Oregon State Grange achieve their tax-exempt status under the umbrella of the state organization. These local Granges are IRS-recognized, 501(c)8 tax-exempt fraternal organizations because they fall under a “group ruling” maintained since 1944 that takes in both the statewide organization and subordinate chapters.
2. Both state and local Granges carry on a vast array of charitable activities throughout Oregon.
3. The state Grange files returns each year that cover only the statewide organization. Most local Granges file the IRS Form 990N ePostcard because of the relatively small amount of income they take in.
4. Virtually all Granges are incorporated, so they also file each year with the Oregon Secretary of State. Most local Granges are incorporated as “public benefit corporations.” A few are incorporated as “mutual benefit corporations.”