



THE NONPROFIT
ASSOCIATION OF
OREGON

**Testimony of James White, Executive Director
Nonprofit Association of Oregon**

SB181
May 9, 2017
House Committee on Revenue

The Nonprofit Association of Oregon (NAO) opposes the passage of SB181.

NAO is a registered 501(c) (3) nonprofit organization representing over 1,550 Oregon nonprofit organizations and affiliate members which provide assistance to the nonprofit sector. Our members are located throughout the state and come from all areas of the nonprofit sector serving our communities, including education, health and human services, the arts, and environmental protection. NAO's mission is to strengthen the collective voice, leadership and capacity of Oregon nonprofits to enrich the lives of all Oregonians. More information about our many programs and services can be found at www.nonprofitoregon.org.

NAO provided testimony opposed to SB181 when it was being heard by the Senate Committee on Finance and Revenue. While there were some small technical issues we pointed out that were incorporated into later amendments, our largest concerns were not addressed. We oppose the changes to ORS 307.130 as proposed in SB181.

SB181 seeks to impose significant changes to ORS 307.130 which was just updated in 2015. We do not believe it is in the best interest of the government or the people of Oregon to ask nonprofits to provide these annual reports to determine property tax exemption status. This extra layer of bureaucracy is unnecessary and burdensome to charitable nonprofits and appears to be designed to trip up unsuspecting nonprofits with the very real result of unfair levies of property taxes that are undeserved as they are open to interpretation and poorly defined in statute.

1. Legislators themselves know that the property tax laws in Oregon are broken and have several times talked about the fixes necessary. The Legislative Revenue Office (LRO) published a "[Review of Oregon's Property Tax Exemption for Literary, Charitable and Scientific](#)" on February 13, 2017 in which the LRO describes property that is used for charitable purposes as a "loss" to the government. This unfortunate view of nonprofits leads to a bias to capture more

revenue for government rather than understand the value of the work of nonprofits (and the property they hold) for public good. This view is too often held in making policy decisions and at the core of the problem with the Legislature's view of nonprofit property taxes. We implore you to understand the vital work that *community does through nonprofits*. These organizations are the backbone of our society and are important for all the vital functions they perform. In fact, a study conducted just last year by Independent Sector showed that voters across party affiliations would rather give \$1,000 to charity than to the government in taxes.

2. If the Legislature wants to pass new requirements on nonprofits for filing to receive property tax exemption, they should first carefully read the work of the Legislative Review Office and take time to create "bright lines" for exemption status in existing statute. (See LRO Report Section VIII – Nonprofit Reporting and "Bright Lines.") The LRO states: "A consistent theme when discussing Oregon's property tax exemption provided by ORS 307.130 - Literary, Charitable and Scientific Organizations, is the lack of "bright lines" applicable in determining exemption qualification." Last year, several cases were brought to court in Oregon over the unfair interpretations of specific counties of property tax exemption determinations on nonprofits. These cases cost both the government and the nonprofits valuable time and resources that would better be deployed for public good. SB181 does nothing to address these discrepancies in statute.
3. We believe the result of passing SB181 will create a huge potential for a number of nonprofits to lose their property exemption based on interpretations that may be unfair, invalid or inconsistent with statute. We have particular concerns for smaller, rural, culturally-specific and all volunteer nonprofits who may not realize they have been burdened by these new reporting requirements.
4. NAO supports a more studied approach to any changes to Oregon's charitable property exemption laws and would suggest that the proponents of SB181 work to clarify existing statute, rather than require additional reporting from nonprofits.

For all of the above reasons, NAO opposes the passage of SB181.