

Senate Bill 4 Message Points

Main Message: Approve Senate Bill 4. Return to the General Assembly the authority to establish standards and qualifications for determining tax exemption for nonprofit entities.

Standards based in law are more effective than court-by-court decisions.

- From 1997 to 2012, Act 55 was the state law that established tax-exemption criteria for nonprofit entities. The law worked, and here were few legal disputes.
- Act 55 was the product of a compromise between local government, school boards, nonprofit entities, and others. The legislature passed the law unanimously.
- Before Act 55, from 1985 to 1997, there was great confusion about tax exemption due to the inconsistent interpretations of vague court-created HUP criteria.
- The court-by-court decision process did not work; rather, it produced different decisions within the various levels of the court structure and in different counties.
- Prior to Act 55, there were at least 20 ongoing legal challenges between hospitals and political subdivisions.
- Act 55 used the HUP criteria created by the courts during 1985, and created clarity by elaborating about how an entity must demonstrate satisfaction of each criterion.
- Without clear, consistent standards, a nonprofit's destiny is left to geography—different courts, different judges, and different opinions.

Senate Bill 4 will give the legislature authority to define “purely public charity.”

- The Legislative Reference Bureau recently issued an important advisory opinion stating that “the term ‘institution of purely public charity’ is no longer a term that must be defined exclusively by the judiciary. As a result it is appropriate that Senate Bill 4 authorizes the General Assembly to actually define an institution of purely public charity by establishing uniform standards and qualifications for this purpose.”
- In addition, current Chief Justice Saylor's Dissenting Opinion, joined by then Chief Justice Castille, in *Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Board of Assessment Appeals*, underscored the strength of the language in Senate Bill 4. The opinion stated that “so long as Act 55 is constitutional, the court should defer to the General Assembly's reasonable policy determination that an organization satisfying the criteria set forth in Act 55 is a purely public charity.”

Senate Bill 4 is not being rushed through the legislature.

- During 2013, the state legislature debated and passed Senate Bill 4. The legislature is moving the bill for a second time, before the question can go to the voters.
- Hearings have been and are currently being held.
- If the House approves Senate Bill 4, voters will have an opportunity to vote “yes” or “no” on whether to give the General Assembly the authority to establish the standards.
- If the voters return authority to the legislature, constituents will be able to share their opinions with their elected officials during the legislative process.

March 2015