

U.S. House Ways and Means Oversight Subcommittee
*Ending the TCJA Tax on Houses of Worship, Charities, and
Nonprofits*



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Submitted by

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Good Afternoon Chairman Lewis, Ranking Member Kelly and Members of the Subcommittee,

Thank you very much for inviting me today to share the voice of disability service providers on this important issue that is impacting us across the country. I am Andrea Barton Reeves, President and CEO of Harc, Inc., a private provider of disability services based in Hartford, Connecticut.

Harc was founded in 1951 by parents of children with intellectual disabilities, long before programs and services were available. We help people with intellectual disabilities and their families by providing community-based services throughout the lifespan. We have one of the state's largest and highest quality Birth to Three programs, supporting over 400 children and their families, including children with Autism. We provide residential services, support 125 people working at 37 sites throughout Greater Connecticut, offer employment training, respite care, recreation, summer camp, day services and behavioral health supports. I am also a Board member of The Alliance, Connecticut's trade association for not for profit organizations. We also appreciate the advocacy of ANCOR, the nationwide trade association for not for profit organizations supporting people with intellectual disabilities.

This is the first year that Harc has had to face significant and burdensome additional costs due to changes in the unrelated business income tax (UBIT) provision enacted into law by the Tax Cuts and Jobs Act of 2018. Specifically, section 274 of the Internal Revenue Code which focuses on UBIT, allows the federal government to tax a nonprofit organization on the value of their parking and qualified transportation fringe benefits. As you know, as not for profits, our primary purpose is to deliver high quality supports and services to those in need in the communities we serve. As originally drafted, the tax code codified the long-held social compact that exempts our organizations from taxes so that we may direct our resources to supporting those in our communities who need our help the most. With the advent of section 274 of the IRS code, resources that should be directed to helping people with disabilities, the elderly and people in recovery are now unavailable to provide help where it is needed most.

The UBIT changes have added burdensome tax and administrative expenses to our tight budget. This year, based on the changes in the UBIT tax laws, we were taxed \$8,100 because we have parking spaces at our main service site for our staff and the families of the people we support. Please keep in mind that this liability was for a six-month period. If this law is not repealed in its entirety, next year, our tax liability will be \$16,000. It cost us an additional \$1,300 to pay our accounting firm to determine our tax liability. Under this same tax code change, we also had a Connecticut state tax liability of \$2,150.

The changes to UBIT did not take into account unique services provided by agencies like Harc. The nature of our funding structures makes it almost impossible to absorb significant costs like these without a negative impact to services. We receive state and federal Medicaid funding to

provide services to children and adults with significant disabilities. We have no control over what we are paid for these services. We cannot raise our rates to absorb any significant increases in costs. Rather, we must rely on rates paid by the state and approved by the Centers for Medicare and Medicaid Services.

A \$16,000 tax bill means fewer resources to help people with intellectual disabilities. One of most unique services we provide at Harc is Camp Bulova, a day camp offered every first and third Saturday during the school year, specially designed for children with significant medical and behavioral needs. We provide nursing, art therapy, music therapy, field trips and one to one support for children with special medical needs. **A \$16,000 tax bill means eliminating five camp sessions for children with intellectual disability and significant medical and behavioral support needs.** There is no easy way to tell a mother than her son or daughter will have fewer days of support, enjoyment and belonging because dollars designated for an enriching experience are being diverted to pay taxes. This simply cannot be the intended consequence of enacting section 274 of the tax code.

This is not just a Connecticut issue. Harc's national trade association, the American Network of Community Options and Resources (ANCOR), is also alarmed by the impact of the UBIT changes on disability provider members across the country. ANCOR members serve over 1 million people with disabilities around the country and most of these agencies now have an additional UBIT tax liability.

The adverse impact of the new UBIT provisions on nonprofits cannot be overstated. The human services sector has one of the most pressing staffing crises in the nation and in Connecticut, there are over 1,500 families waiting for services. Asking not for profits to use already scarce resources for anything other than the delivery of quality services to people in need weakens an already fragile safety net of services. For decades, human services agencies and government have worked together to ensure that children and adults with the most significant disabilities can live with quality, inclusion and dignity. In partnership with our government, we must do our best to ensure that every available dollar is spent to improve lives. A full repeal of the 2017 UBIT changes would achieve this goal. Therefore, we urge Congress to repeal section 274 immediately and in its entirety.

Thank you for having me today and I look forward to your questions.