April 18, 2011
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Taxing the Tax-Exempt Sector
New Report from Johns Hopkins Listening Post Project

One of the long-standing features of American law has been the principle that nonprofit charitable organizations should be exempt from taxation. However, a recent survey by the Johns Hopkins Listening Post Project found that a surprising number of the responding organizations are currently paying fees, taxes, or payments in lieu of taxes (PILOTs) to local governments.

On top of this, respondents reported that local governments have been placing increased financial pressure on nonprofits during the current financial crisis.

Survey results varied considerably, however, by field, size of organization, and geographic region.

For example:

- Nearly a fifth of all respondents (17 percent) reported that their services or activities are subject to field-specific taxes, such as taxes on admission charges or bed taxes. These field-specific taxes were much more commonly paid by elderly housing and service organizations (37 percent), by the largest organizations (28 percent), and by nonprofits located in the Northeast. By contrast, only 7 percent of respondents in small organizations and 11 percent of respondents in mid-sized organizations reported paying such taxes.

- 9 percent of respondents reported paying PILOTs to local or state governments, but this share reached 26 percent among elderly service and housing groups, 19 percent among the largest organizations, and 20 percent among those located in the Northeast.

- Taken altogether, 63 percent of responding organizations reported paying some kind of tax, fee, or payment in lieu of taxes. This reached 73 percent among large organizations and stood at 48 percent even among respondents from small organizations.

- Most seriously, fourteen percent of all respondents indicated that they are aware of proposals in their state or locality to impose new taxes or fees on nonprofit organizations and 43 percent indicated concern that their state or local government will adopt new fees or taxes targeting nonprofits during the next year.

A total of 358 nonprofit organizations in four major fields (children and family services, elderly housing and services, community and economic development, and arts and culture) responded to this survey. Survey respondents tended to be larger organizations representing the bulk of the activity in their respective fields, though a reasonable sample of small organizations was also included in the sample.

The full report, Taxing the Tax-Exempt Sector—A Growing Danger for Nonprofit Organizations, is available on the Center for Civil Society Studies website at ccss.jhu.edu.