




## PENNSYLVANIA ASSOCIATION OF COMMUNITY HEALTH CENTERS

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### Fair Tax Policy for Non-Profits

**Issue:** Community Health Centers  have been unfairly forced to make property tax payments and pay legal fees to local taxing authorities despite the fact that they are non-profit organizations providing a public service. At the end of 2014, there were 3 Community Health Center organizations among the non-profits that had to divert funds from their communities as a result of a local tax assessment. To date, over \$1.2 million has been taken from the affected health centers' patients as a result of tax assessments and subsequent legal fees.

**Background:** A 2012 Pennsylvania State Supreme Court ruling, *Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Board of Assessment Appeals* allows local taxing authorities to challenge any non-profit's property tax exemption status. Since that decision, several non-profit organizations have been assessed a property tax resulting in significant legal fees as well as payments to these taxing bodies which diverts critical funds from benefiting the public as intended. Non-profit organizations need a Pennsylvania Constitutional amendment in the 2015-16 legislative session (Senate Bill 4) to allow the legislature to begin the process of creating a law that prevents non-profits from experiencing this unnecessary expense. Without this amendment, the legislature is powerless to enact any legislation to set legal criterion that determines a non-profit organization. The existing tax policy is that local governments can assess taxes on a non-profit and use the local court system as mediator if the non-profit chooses to dispute the tax. This is a costly and burdensome process for small non-profits to experience and the final decision on the organization's costs rest on a single judge's determination.

**Principles:** On behalf of Pennsylvania's Community Health Centers, we strongly urge the legislature to adopt a Constitutional amendment for the following:

- Community Health Centers are only able to be established in underserved areas that clearly need more access to primary care services and must provide care to all patients, regardless of insurance status or ability to pay. This is a public service that is rarely provided by a local government entity in Pennsylvania;
- Pennsylvania's Community Health Centers provide care to nearly 700,000 individuals, with 92 percent of those patients at or below 200 percent of Federal Poverty Level and nearly 70 percent uninsured or using Medicaid as a form of insurance;
- To date, 3 health center organizations have been affected by this issue which has resulted in over \$1.2 million in costs that could have been better utilized to benefit their 32,515 patients and 212 employees;
- Based on a recent George Washington University study that focused on the efficiencies of the community health center model, these same affected health centers provided the state over \$44 million in savings at the state and local levels by driving down chronic medical conditions and

providing a primary care “home” for patients. This makes the \$1.2 million in expenses very short-sighted.

**PACHC Position:** Community Health Centers have successfully maintained high quality, continuity of care for vulnerable Pennsylvanians and saved taxpayers and the health system costs as a result of their positive outcomes for decades. These health centers need a Constitutional amendment to begin the legislative process so they can use their limited dollars to continue providing quality health care rather than face excessive taxes. We urge the legislature to adopt Senate Bill 4 immediately so it can begin a productive discussion on what qualifies as a non-profit organization.

*PACHC's membership is comprised of over 250 non-profit health center delivery sites offering care for more than 700,000 Pennsylvanians through more than 2.5 million office visits every year; which makes these sites the largest network of primary care providers in our Commonwealth's rural and urban communities.*

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1035 Mumma Road • Suite 1 • Wormleysburg, PA 17043-1147 • Phone (717) 761-6443 • Fax (717) 761-8730

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