National Association of Health and Educational Facilities Finance Authorities

NEWS

For Immediate Release

Contact: Charles A. Samuels
NAHEFFA General Counsel and Legislative Consultant
(202) 434-7311 | CASamuels@mintz.com

Tax-Exempt Financing for Nonprofit Health Care and Education Still Under Attack as Report Shows Up to 300,00 Jobs Would be Lost from Tax Exemption Change

Federal proposals to restrict or eliminate the use of tax exempt bonds by nonprofit health, education and other charitable organizations would have huge impacts on project costs, delays and curtailments and eliminate tens of thousands of jobs throughout the United States. A study conducted by one of the leading economic and business consulting firm IHS for the National Association of Health and Educational Facilities Finance Authorities (NAHEFFA) found that if Congress limited the tax exemption to 28% for municipal bonds that finance health, educational and other charitable projects throughout the United States, 105,000 jobs, $5.5 billion of labor income and $8.3 billion in GDP would be lost annually. If Congress eliminated the tax exemption altogether then the loss would be 300,000 jobs, $15.6 billion of labor income and $8.3 billion in GDP.

"Thousands of hospitals, clinics, colleges, job centers and boys and girls clubs throughout the United States depend on tax exempt bonds to access capital. Often, particularly in smaller communities, these nonprofits are the largest employers in the area and engines for economic growth. This study demonstrates in national terms the enormous economic burdens and job loss that will be suffered by charities and hundreds of thousands of others if the tax exemption is curtailed or eliminated," said Pamela Lenane, NAHEFFA President and Vice President and Acting General Counsel of the Illinois Finance Authority.

Despite widespread and intense opposition by state and local governments and the nonprofit sector, ending or reducing the tax exemption is under consideration in tax proposals ranging from the White House support for a 28% cap on the tax exemption that include municipal bonds and the Simpson Bowles plan for its total elimination. Key findings from the "IHS Study on the Economic Impact to Propose Restrictions on Tax Exempt Bonds for Nonprofit Organizations" are as follows:

– – Nonprofit health and education investment is critical for maintenance of the nation’s welfare, productivity and economic growth. The types of projects funded range from general acute care hospitals, critical access hospitals, children's hospitals, higher education and private school facilities, libraries, museums, cultural and performing arts centers and senior assisted living.

– – A 28% cap on the interest exemption applicable to bonds used by nonprofits for financing would , based on average spending in the past decade, reduce US gross domestic product by $8.3 billion per year, cost the nation 105,000 jobs and $5.5 billion in labor income annually.

– – A complete elimination of 501(c)(3) tax exempt financing would reduce gross domestic product by $8.3 billion and lose 300,000 jobs which would have annually generated $15.6 billion in labor income.

Higher interest expenses will limit nonprofits ability to fund important capital projects for hospitals and schools that demonstrably generate long-term economic value for communities across the nation

The full study in text and PowerPoint is attached and can be found at www.naheffa.com.