



PRESS RELEASE

For immediate release

Re: H.B. 31: Enterprise Zone Amendments

5 February 2016

Legislature Proposes to Cut Tax Credits for Donations Made to Rural Nonprofits

The current version of H.B. 31: Enterprise Zone Amendments seeks to remove the tax credit offered for cash donations made to rural nonprofits. The bill, sponsored by Rep. Scott D. Sandall (R-District 1) and co-sponsored by Senator and Majority Leader Ralph Okerlund (R-District 24), currently awaits review by the Senate Economic Development and Workforce Services Committee. According to the National Committee on Responsive Philanthropy's report *Rural Philanthropy, Building Dialogue From Within*, rural areas suffer from underfunding, receiving just 1% of total nationwide private foundation funding. Yet "nonurban" areas account for 97% of the US land area and 19% of US population (*Figure 1*). Eliminating this tax credit will result in a decrease in funding to Utah's rural nonprofits. The bill's fiscal note estimates \$1,170,600 would have been donated to rural nonprofits in FY17. Removing the 50% tax credit will result in a "savings" of \$585,300 for the state's education fund. Jack Forinash, Principal at Epicenter, a nonprofit community development organization based in Green River (population 952), expressed his concern for rural nonprofits. "This tax credit is a game changer for Utah donors giving to rural economic development organizations. Tax deductions on federal income tax forms don't often account for charitable donations, because most people file using the standard deduction of \$6,300. Tax credits, in comparison, offer money back even if a taxpayer does not have a liability. Unless someone donates over \$6,300, or itemizes expenses above \$6,300, donations to charities and nonprofits don't affect your tax liability. Tax credits result in cash back to your pocket right away, which for us at Epicenter has resulted in donors doubling their annual gifts."

Enterprise Zones are a key economic development tool for Utah's rural counties and municipalities with many examples of success across rural Utah. A menu of tax credits are offered to rural businesses that create new full-time jobs, pay higher-than-average wages, create agricultural value-added jobs, offer employer-sponsored health insurance, rehabilitate a blighted building, and/or invest in new equipment. Additionally, Utah's and Utah businesses receive tax credits for cash donations made to nonprofits within Enterprise Zones that have been approved as working within economic development by the Governor's Rural Partnership Board (GRPB).

The bill's primary purpose is to expand the eligibility of counties and cities to seek Enterprise Zone designation, raising the maximum population for counties from 50,000 to 70,000 and for cities from 15,000 to 20,000. The bill also adds oversight authority for the Governor's Office of Economic Development to vet, approve, and report on applications by businesses to use the tax credits.

After attempting to get the bill funded in the 2015 General Session, the bill failed to be allocated within the budget. Rep. Sandall worked with the Governor's Office of Economic Development, Office of Rural Development (GOED RD) and together determined if the tax credit for donations to rural organizations was to be removed the bill would carry a net positive fiscal note (adding money to the Utah Education Fund). The fiscal note also assumes there to be savings on Enterprise Zone tax credits as a whole (including the business tax credits) by adding oversight by GOED RD to assure those businesses that claim the tax credits are doing so properly.



Reporting measures added allow for GOED RD to also work with the Tax Commission to determine how much money is claimed in each of the options for the tax credit, from new hires to building rehab. This same system of oversight and reporting would also work for the tax credits for donations to rural organizations.

Taking away the tax credits for Utahns and Utah businesses giving to rural organizations designated by the GRPB reduces the ability of organizations like Epicenter to support the businesses, residents, and community in Enterprise Zones. “We all know it isn’t just businesses that make a great community. Organizations like Epicenter are needed to support these rural businesses and their employees,” Epicenter Principal Jack Forinash explained. “As a small nonprofit in very rural Green River, we’ve been able to attract unprecedented attention to Green River, resulting in increased investment from the county, the Association of Local Governments, and even the state.”

Forinash has submitted letters of concern to legislators and the Senate committee to which the bill was assigned. He went on to say, “I believe the tax credits for nonprofits can stay in the legislation with minimal cost. To ensure the current designated organizations offering the credit truly qualify, I propose that the GRPB wipes clean the organizations designated and re-verifies their applicability to offer this tax credit to donors. I know Epicenter would qualify once again. I’m happy to report donations made to GOED RD and/or the Tax Commission to assure who is claiming the credits is in fact giving to us.”

No date has been set yet for the hearing by the Senate committee. You can follow the bill at <http://le.utah.gov/~2016/bills/static/HB0031.html> and submit your comments to your representatives, the sponsor Rep. Sandall at ssandall@le.utah.gov, co-sponsor Sen. Ralph Okerlund at rokerlund@le.utah.gov, or to the Senate ED&WS committee chairman Lincoln Fillmore at lfillmore@le.utah.gov.

Figure 1:

<i>US Census Population Designation</i>	<i>Population</i>	<i>Percent of Total US Population</i>	<i>Percent of Total US Land Area</i>	<i>Percent of Private Foundation Funding</i>	<i>Percent of Grantmaking Foundations Devoted to Rural Development</i>
<i>Urban Metro</i>	<i>50,000 and up</i>	<i>71.2%</i>	<i>2.5%</i>	<i>99%</i>	<i>99.7%</i>
<i>Urban Clusters</i>	<i>2,500 to 49,999</i>	<i>9.5%</i>	<i>0.6%</i>		
<i>Rural</i>	<i>Under 2,500</i>	<i>19.3%</i>	<i>97.0%</i>	<i>1%</i>	<i>0.3%</i>

Sources: 2010 US Census (Population and Land Area), NCRP’s report: Rural Philanthropy, Building Dialogue From Within, 2007 Revised Edition (Funding Percentages)

Jack Forinash is a Principal and Financial Manager of Epicenter, a nonprofit organization focused on community and economic development, arts programming, and affordable housing in Green River, Utah (pop. 952). Epicenter is a designee of the Governor’s Rural Partnership Board as eligible to offer the Enterprise Zone tax credit to Utahns/Utah businesses. Forinash can be contacted at jack@ruralandproud.org or by calling (435) 564-3330.