

TESTIMONY
Tax Revision Commission Hearing
November 12, 2013

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Thank you for the opportunity for us to provide comment regarding several Proposals before the Commission that would impact nonprofits in general and colleges and universities in particular. We are particularly interested in Proposal #51 (“Create a Payment in Lieu of Taxes (PILOT) Program for Tax Exempt Properties”). However, we are also opposed to Proposal #36 (“Levy a Local Services Tax on Employers”) for many of the same reasons we oppose Proposal #51—its undue and unfair impact on tax exempt entities performing important work in the District of Columbia. Joining me here are representatives from the DC university community who I ask to stand and be recognized. All of them agree with the points I will raise in regard to this proposal.

We sincerely appreciate the Commission’s work in tackling a most complex issue—the revision of the tax code. All of the people who live and work in the District owe you a debt of gratitude for being willing to take on this task. Nonetheless, PILOT should not be one of the ideas added to that code.

Simply put, PILOT is wrong for the District for three basic reasons: (1) Contrary to common perception, universities do not drain services from the District for which we do not pay. (2) Universities are a huge engine for economic growth and development, and provide a wide array of services to the District and its residents that the District would otherwise need to provide. (3) Universities are uniquely restricted in their ability to grow their business to pay new taxes compared to every other economic sector.

Considerable detail relating to these reasons are contained in our recent submission in response to Dr. Bell’s report, and I refer you there for specifics. In summary, I wish to highlight the following facts:

- The universities do not rely on the District for many key services, such as health care (universities have their own health services) or social services, provide their own campus police, and already pay a host of fees and taxes such as: employment taxes; unrelated business income taxes; real property taxes (for uses not directly related to their educational mission); taxes on utility bills, sewer and water fees; business license fees; among others. We collect our own trash, and in some areas clean the streets. We provide backup services to the District for such things as ambulance (e.g., during the recent incident at the Navy Yard). Our analyses of services

such as Metropolitan Police Department calls responding to crimes on or near universities indicate that universities accounted for only 1.6% of approximately 36,762 calls during a period of 2012-2013. So the belief that universities are large consumers of services for which they do not pay, and that they currently pay no or little in the way of taxes and fees, is not supported by the evidence.

- As a group, universities represent one of the very largest private employers and economic drivers in the District. Our economic impact is very substantial, as evidenced in every analysis of the local economy.
- Every university is deeply engaged in the District, and provides innumerable services to District residents. These services include work in DCPS/charter/private P-12 schools, direct services (e.g., health care, legal and tax, etc.). Such services are provided by students, faculty, and staff, and flow from the very missions of the universities.
- Colleges and universities in particular are uniquely constricted in the District of Columbia. No for-profit corporation is subject to caps on either customers or employees. Universities are subject to both under orders issued by the D.C. Zoning Commission, and such practice is currently being codified in the zoning rewrite process. Such caps not only constrain the business of universities, they also hurt the District in essentially prohibiting the growth of jobs and accompanying tax revenue. It also means that there are few options for raising new revenue to pay new taxes.
- As noted in analyses of the Boston model itself, imposition of PILOT has consequences. A dollar paid in PILOT is a dollar unavailable for programs, economic development projects that benefit the District, and community services. The opportunity cost of losing these activities, all of which have major multiplier effects on the District's economy, could well mean that the District actually experiences a net reduction in revenue in the long run through loss of revenue from income and other taxes.

In conclusion, I want to refer you again to our previous submissions, especially the most recent one focused on the Bell Report and that report's analysis of the ~~focused~~ ~~on~~-Boston model. In it we show that the context in which PILOT was imposed and operates in Boston does not transfer to the District due to fundamental differences between the two cities in statutory taxing authority, distribution of revenue streams, and expenditure patterns, among others. We also point to jurisdictions, such as Worcester, MA, a city near Boston, that have rejected PILOT as unfair and possibly damaging to the services and partnerships that have existed for decades.

We trust the Commission, in its wisdom, will keep all these factors in mind as it reaches conclusions on its challenging task. I welcome the opportunity to continue this dialog with the Commission about this testimony or any of our previous submissions.