

SJR 23 Nonprofit Study Final Report:  
Summary of Reports to the Revenue and Transportation Interim Committee

by  
Megan Moore, Legislative Research Analyst  
Montana Legislative Services Division

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Senate Joint Resolution No. 23 (SJR 23) provided for a study of the Montana income and property tax exemptions received by nonprofit corporations and organizations and whether these exemptions are justified. The study ranked highly in the poll of legislators: 5th of 16 ranked interim studies. Legislative Council assigned the study to the Revenue and Transportation Interim Committee, which approved the [SJR 23 Study Plan](#) at its June 2011 meeting.<sup>1</sup>

A summary of reports provided to the Committee follows, organized by the meeting date at which the material was presented.

**Findings and Recommendations**

The Revenue and Transportation Interim Committee did not make any findings or recommendations for this study. The Committee chair, Rep. Roy Hollandsworth, did ask that a note be added to this report indicating that more study may be necessary in the area of competition between for-profit and not-for-profit health clubs.

The Committee also requested and reviewed a [bill draft](#) to require the Department of Revenue to perform a periodic review of property exempt from the property tax and to make a list of exempt property publicly available. The committee chose not to submit the draft as a committee bill to the 2013 Legislature.

**September 26-27, 2011**

**[Background Report on Income and Property Tax Exemptions](#) -- Megan Moore**

The Background Report has three components: a summary of Montana laws that address income and property tax exemptions for nonprofit organizations, a 50-state overview of income and property tax exemption laws, and information on limits to nonprofit land ownership in the states.

The discussion of Montana's laws is organized by whether the authority is constitutional, statutory, or administrative, and a brief legislative history is provided. This portion of the report also draws on information from a 2005 property tax exemption study committee staffed by the Montana Department of Revenue and composed of legislators and gubernatorial appointees representing schools, local government, exempt organizations, businesses, and the Executive Branch.

The 50-state overview focuses on property tax exemption laws because state exemptions existed before the adoption of the federal Internal Revenue Code, which means property tax exemption laws differ from

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<sup>1</sup>The Committee removed one item from the study plan: a briefing on the effects of removing from the tax roll private parks created to comply with subdivision standards.

state to state. The states are categorized by the four different forms the state exemptions take: states that include specific property tax exemptions in the state constitution, states that grant the legislature the authority to create property tax exemptions, states that include some exemptions in the state constitution and specifically give the legislature authority to create additional exemptions, and states that are silent on property tax exemptions. This section of the report also included a discussion of tax exemption theory and how states define which organizations are exempt. Income tax exemptions are not discussed in detail because most states follow the federal income tax exemption provided for in the federal Internal Revenue Code.

The Background Report also contains information about limits on nonprofit land ownership, which appear to exist only in North Dakota.

The report concludes with a summary table identifying the categories of exempt property in the states.

#### [Nonprofit Exemptions in Seven Most Populous Counties -- Department of Revenue](#)

This report summarizes the new property tax exemptions granted each year since 2006, both by number of properties and their total value. The data is broken down by county and city for the seven historically most populous counties: Yellowstone, Missoula, Cascade, Flathead, Gallatin, Lewis and Clark, and Silver Bow.

#### [Comparative Analysis of 2003 Interim Study of Nonprofits and Property Tax Exemptions -- Department of Revenue](#)

This table provided by the Department of Revenue sets forth the purpose, reasons for study, committee action, and findings for the 2003 property tax exemption study committee.

#### [Hospital Property Tax Data -- Montana Hospitals](#)

At the first meeting of the interim, the Committee requested data on the property owned by Montana hospitals and whether the property is exempt. The data generally includes a property description, the use of the property, whether the property is owned or leased, the year of acquisition, the exemption status, and any taxes or fees paid on the property. Bob Olsen of the Montana Association of Hospitals presented an overview of the data and answered committee questions. Links to the data provided by the hospitals follow:

- [Benefis Health System](#)
- [Billings Clinic](#)
- [Community Medical Center](#)
- [Northwest Healthcare](#)
- [St. James Healthcare](#)
- St. Patrick Hospital: [leased property](#), [owned property](#)
- [St. Peter's Hospital](#)
- [St. Vincent Healthcare](#)

#### **December 8-9, 2011**

#### [Analysis of Agricultural and Forest Property Owned by Nonprofit Organizations Concerned With Preservation -- Megan Moore](#)

This briefing paper provides information on agricultural and forest property owned by nonprofit organizations concerned with preservation. The analysis includes discussion of whether taxes are paid on such property and whether the property is eligible for exemption from the property tax. The report concludes that the nonprofit organizations analyzed pay property taxes on their agricultural and forest land at the same rate as other taxpayers with property in the same production class. However, because the Department of Revenue has granted personal property tax exemptions for some of the organizations analyzed, these organizations may be eligible for property tax exemptions on their real property, including agricultural land and forest land.

[Exempt Property in the Seven Most Populous Counties -- Megan Moore](#)

This memorandum analyzes a document provided by the Department of Revenue that compares exempt and taxable property growth in the seven most populous counties. The memo begins with a discussion of data limitations affecting the validity of the information provided and concludes with an analysis of the effects of property tax exemption on other property taxpayers.

[Comparing Exempt and Taxable Property Growth -- Department of Revenue](#)

This table compares exempt and taxable property growth in the seven most populous counties from 2008 through 2011. See the memorandum "[Exempt Property in the Seven Most Populous Counties](#)" (above) for a discussion of limitations to the data that affect its validity.

[Additional Information re Property Tax Exemptions in Other States -- Megan Moore](#)

This memorandum includes additional information that was requested at the September 26-27, 2011, Revenue and Transportation Interim Committee meeting related to property tax exemptions in other states. The information falls into two categories: statutes that create multifactor tests for determining whether nonprofits should be exempt from taxation and statutes that address exemptions for hospitals.

[Analysis of Hospital Charity Care and Bad Debt -- Megan Moore](#)

This briefing paper provides information on the amount of charity care and bad debt provided by Montana hospitals and an analysis of where the population served resides in relation to the hospital providing the care.

**February 16-17, 2012**

[Montana's Hospitals -- Lawrence L. White, Jr. and Anna Iverson Buckner, published by Montana Attorney General Steve Bullock](#)

This is the fourth annual assessment of the charitable purposes of the 10 largest nonprofit hospitals and foundations in Montana. This is the second year the report also includes information for 12 smaller, critical access hospitals. The report is compiled in cooperation with the School of Public and Community Health Sciences at The University of Montana.

The report finds charity care continues to increase in Montana but continues to vary widely among hospitals.

[Report on Montana's Hospitals Community Benefits Slides -- Lawrence L. White, Jr.](#)

One of the authors of "[Montana's Hospitals](#)" (discussed above) gave the Committee a slide presentation addressing three topics:

- a discussion of the services provided by nonprofit hospitals that justify the tax exemption;
- the value of the tax exemption based on these services; and
- the relationship between hospital foundations and the hospital itself.

[Hospital Bad Debt and Charity Care Updated Data -- Megan Moore](#)

This memorandum addresses the Committee request for additional information on charity care and bad debt for Montana hospitals. The request was for total billings, charity care, and bad debt sorted by county and location of service -- either the hospital or physician clinics. The data provided is not uniform due to accounting system limitations, computer conversions, or lack of response to the request for data. A table at the beginning of the memorandum summarizes which data is available for which hospital

The memorandum includes tables for each hospital summarizing bad debt writeoffs and the provision of charity care reported by Montana county. Total billings and location of service are also included, if available. There is also a brief analysis of bad debt and charity care compared with total billings and the location of the bad debt and charity care for the hospitals for which the data was available.

[Unreimbursed Medicare and Medicaid Costs -- Megan Moore](#)

This memorandum provides unreimbursed Medicare and Medicaid cost information that was requested at the December Revenue and Transportation Interim Committee meeting. The hospitals that responded to the information request had wide ranging unreimbursed costs related to Medicaid and Medicare.

[Analysis of Property Tax Exemptions from TY2003 to TY2011 -- Department of Revenue](#)

This table summarizes the number of property tax exemption applications from 2003 to 2011, the number granted, the number partially granted, and the number denied.

[Memo on Business Tax Exemptions -- Dan Bucks, Director, Department of Revenue](#)

This Department of Revenue (DOR) memorandum provides a response to a question raised at the December 9, 2011, Revenue and Transportation Interim Committee meeting. The question relates to DOR granting property tax exemptions for business equipment. The memorandum outlines the statutory authority to do so.

**April 26, 2012**

[Projected Corporate Tax Payments -- Megan Moore](#)

This memorandum provides analysis on how much certain Montana organizations might pay in corporation license tax if they were not exempt from the tax. The data shows that the 1,526 organizations in the analysis would pay about \$32.8 million if the corporation license tax applied to them. The analysis also includes a discussion of how a taxed entity's calculation of corporation license tax might differ from

the revenues-less-expenses calculation used for nonprofit corporations.

[Data for Projected Corporate Tax Payments -- Megan Moore](#)

This is the data used for the analysis discussed above.

[Analysis of Limiting Exemptions -- Megan Moore](#)

This memorandum provides a model for limiting income and property tax exemptions for nonprofits to reflect charitable donations compared with other sources of revenue and an analysis of the impact of such limitations.

**September 13-14, 2012**

[LC 9501 -- drafted by Jaret Coles](#)

This bill draft to require the Department of Revenue to review property tax exemptions and publish a list of exempt properties was requested at the July meeting. The committee chose not to submit the draft as a committee bill to the 2013 Legislature.

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