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Testimony prepared for:

House Finance & Taxation

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Paul Fracassi, Director of Equalization

Cass County Government

RE: House Bill No. 1438

Chairman Headland and Committee Members;

Thank you for the opportunity to submit written testimony in opposition to House Bill No. 1438.

Unintended Consequences

Property belonging to institutions of public charity, including public hospitals and nursing homes, currently receive an exemption of their building and land valuation if they meet the state's two-part test: (1) charitable organization and (2) devoted to a charitable purpose (ownership and use). Vacant land is typically not exempt, but this bill would allow the vacant land to be exempt after acquisition, and it further exempts the building and land throughout the construction of the facility.

The "use" portion of the two-part test applies specifically after a building is occupied. This is the point in time that our office can review and determine if the use test is satisfied. Exempting the land after acquisition and during construction removes the "use" portion that is associated with the building. This could potentially open the door for any LLC with a 501(c)(3) to become developers of exempt land, an expense which would shift the burden to other taxpayers.

Amendment

I feel the following amendments could help remedy the unintended consequences of this bill:

"An application applying for a tax exemption under this subsection shall include a clearly stated purpose articulating the plan for future use."

"If, at any point, it becomes evident the applicant has abandoned, modified, or developed the land in a manner inconsistent with its stated purpose, the land shall be subject to all property taxes, including back taxes, from the time the property was initially acquired."

Thank you again for the opportunity to provide written testimony regarding House Bill No. 1438.

Sincerely,

Paul Fracassi

Paul Fracassi
Cass County Government, Director of Equalization