

# State bill would protect tax-exempt status of mental health groups

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The state arm of a national nonprofit organization is calling on the Legislature to help it retain its tax exempt status for its local offices across Alabama.

Arc of Alabama, an agency that supports the state's mentally disabled and mentally ill residents, is concerned that most of its 29 agencies are at risk of being billed state and local taxes. To keep that from happening, Rep. Richard Lindsey, D-Centre, is sponsoring a bill that would allow local governments to guarantee that local Arc offices won't have to start paying sales and property taxes.

"We're just trying to protect what we have," said Tom Holmes, the former executive director of Arc of Alabama who now chairs a governmental affairs committee for the organization.

All but a handful of the Arc offices across the state are exempt from taxes because they are funded by United Way, an agency that decades ago secured tax-exempt status for itself and the organizations it supports, Holmes said. But, he added, some fear that United Way will pull funding and the Arc offices would be on the hook for taxes they do not now have to pay.

"If a United Way organization changed the status of one of our local chapters, it could jeopardize their tax status," Holmes said.

If approved, the change would apply only to those Arc offices that lose their association with United Way. The change would only take place upon approval by a local governing body, such as a city council.

For now, HB 547 awaits action in the state House.

Some local residents with intellectual disabilities are served by the Arc of Calhoun and Cleburne Counties. Pati Tiller, the local group's outreach coordinator, said the organization works as an advocate for families of people who are mentally disabled and organizes the local Special Olympics.

Like most of Arc's local offices, the Calhoun-Cleburne branch is tax exempt because of its association with the United Way. Holmes said the tax exempt status saves the local offices about \$5,000 a year.

Shannon Jenkins, executive director of United Way of East Central Alabama, said his organization does not plan to sever its ties with the local Arc office. But, he added, United Way's funding structure prevents



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him from guaranteeing how much money each agency will get from year to year.

“We try to be very careful in how we invest the dollars,” Jenkins said. “With those resources becoming really more scarce, I think what happens is that our investment process back into the community becomes more competitive.”

To be a United Way partner, Jenkins said, each organization must be a nonprofit, it must have been in existence for three years and it must fit within the organization's areas of focus: education, income, health and basic needs.

State-level Arc administrators said that the bill, if passed, would apply only to those offices that are already tax-exempt. They emphasize that the measure would not cause the state to lose any tax money it now receives.

As originally written, however, the bill would have ensured that all local offices in Alabama are tax exempt. As it is now written some Arc organizations, about six, will not be included and will continue paying taxes.

Those few, Holmes said, are not affiliated with a United Way chapter because they're located in rural communities that have no United Way chapter.