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# Kathleen McCartney: There is good reason for independent colleges to be tax-exempt

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NORTHAMPTON — Mayor David J. Narkewicz's proposal to increase city revenues via a payment in lieu of taxes (PILOT) program has generated much discussion in our community. The program asks nonprofits to voluntarily contribute an amount based on the valuation of their tax-exempt property.

A strong Northampton is in all of our interests. The question is whether a PILOT is the best way to achieve this.

It is important to recognize the reason that independent colleges have been granted nonprofit, tax-exempt status. Long ago, our government affirmed that private colleges and universities serve a vital role in advancing society, by providing services — higher education — that the government would otherwise need to provide.

Given this principle, it would be difficult for any college president to support a PILOT. However, this does not mean that support for the community is not a pressing priority here at Smith, where we pride ourselves on being good neighbors.

As Smith's president, I have many priorities related to the running of the college. One is access for all qualified students. Although we awarded more than \$60 million this year in financial aid — thanks to the generosity of alumnae who have supported our mission over the years — we are still not a need-blind college. Another priority is providing competitive salaries for our outstanding faculty and staff, more than 40 percent of whom live in Northampton, at a cost of almost \$38 million in payroll to city residents.

As part of his PILOT announcement, Mayor Narkewicz encouraged nonprofits to compute valuations of their community investments.

Smith's contributions for the 2014-15 academic year include:

- Free courses for Northampton High School students: In 2014-15, 140 Northampton High School students took 168 college-level courses at Smith at no cost to their families or to taxpayers. Valued at nearly \$1 million last year, this program allows local students to take courses in subjects that the public schools do not provide. The students receive grades and high school credit, as well as impressive credentials toward their college applications.
- Reduced tuition at Smith for local residents: Some \$270,000 in free Smith College tuition went to daughters of local residents through a long-running grant program from the trustees of Smith College.
- Free or subsidized student employees at nonprofits: Seventy-four Smith students worked at 28 nonprofit institutions in the Valley, including Forbes Library. Smith covered 75 percent of their wages, at a cost of \$85,000. In addition, 93 Smith students worked as reading tutors at 11 area elementary schools and agencies as part of the America Reads challenge. Smith paid 100 percent of their wages, at a cost of approximately \$56,000.

This valuation doesn't begin to address other ways that Smith supports the community, particularly in the area that we know best: education. Our science faculty provide significant education and enrichment in Northampton's schools; we share our fields and athletic facilities for youth athletics, free of charge; we host graduations in John M. Greene Hall; we open our museum and botanic garden to schoolchildren — and more.

In addition, Smith has been a strong supporter of Northampton's downtown, contributing significantly — and voluntarily — to the former Business Improvement District. Post-BID, we are working with the stakeholder group seeking to ensure that our downtown remains vibrant and welcoming.

Other college presidents have told me that PILOTs provide disincentives for continuing or expanding community support. I think this is likely.

Identifying funds to pay a PILOT would likely require tradeoffs in other areas of community support. A 2004 report by the Worcester Municipal Research Bureau notes: "If institutions contribute to a PILOT program, they may be forced to reduce their existing commitments to these community and business

development projects .... PILOTs could adversely affect the colleges' competitiveness ... and they could have to increase tuition and fees.”

Like the city, nonprofit institutions are subject to financial constraints, including the uncertainties of a fluctuating economy. Any significant new costs could stress our ability to keep Smith accessible to the best students, regardless of means, as well as to recruit and retain the best faculty and staff.

Some community members have mistakenly written that Smith does not pay taxes; I've been pleased to see both the mayor and the Daily Hampshire Gazette note that Smith, in fact, pays significantly more in real estate taxes than any organization in Northampton, for-profit or nonprofit.

Last year we paid \$530,874 in taxes on properties that are not tax-exempt. We paid an additional \$90,000 as part of an agreement with the city when our engineering building, Ford Hall, was built; that amount increases every year.

In the coming months, I look forward to continued conversations with the mayor on Smith's support for the city. I plan to explore additional voluntary support outside of a PILOT mechanism.

I recognize that Smith College would not be the special place it is without Northampton, and I am gratified to have heard from so many Northampton residents that they understand the reverse to be true as well.

Kathleen McCartney is president of Smith College.

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