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INCOME TAX DEDUCTION FOR CHARITABLE GIVING ISN'T 'WASTEFUL'

January 3, 2013
By Joann Stormer and Paul Harkess

A Dec. 6 op-ed in The New York Times questioned the income tax charitable deduction as "wasteful government spending" and also questioned the use of donor-advised funds and private foundations to sequester money that is supposed to go for charitable purposes. In so doing, author Ray D. Madoff suggested the charitable deduction itself should be investigated.

While some abuses of the charitable deduction do occur (conservation easements for golf course developers, for example), we should not be too quick to "throw out the baby with the bath water."

Madoff made no mention of the contributions to our economy made by the nonprofit sector. The nonprofit community is an enormous contributor to the American economy: It provides 5.5 percent of the nation's entire GDP, released by the National Center for Charitable Statistics.

What would the U.S. — indeed the world — be like without the work of nonprofits? Many of us were born in and recover from serious illnesses in nonprofit hospitals. Our parents may have gone to a nonprofit hospice to be gently supported through the process of leaving this earthly plane.

The theaters and symphonies we enjoy are often nonprofits. Children's sports leagues and maybe your favorite garden club are also nonprofits. Our pets may have been adopted from or treated at the local Humane Society. Many of us belong to professional associations that help us develop our knowledge and careers, and virtually all of them are nonprofits.

Regardless of your political persuasion, evaluating each candidate's position on and support of nonprofits is something voters are well advised to do. With states and the federal government desperately seeking places they can cut their budgets — and with misunderstanding about nonprofits' economic contributions — this puts nonprofits in a vulnerable position.

Nonprofits of many kinds offer a safety net for the vulnerable in our communities and are also much more than that. Let's take care before we devastate an economic sector that contributes to us all in ways seldom recognized or appreciated.

The National Council on Foundations also commented on those funds that are held "for years" in donor-advised funds: "DAFs enable donors to make sustained strategic investments in their communities. They can be started quickly to respond to tragedy as in the case of a natural disaster or the closing of a large employer within a neighborhood.

"They also allow donors to build upon their giving year-after-year and direct that giving to causes important to their communities, providing impact not only immediately but over time. Throughout the recession, most community foundations maintained or increased their grant-making to meet increased human service needs thanks to donor-advised funds.

"These organizations provide essential services like housing, healthcare, and education in communities nationwide. Now more than ever, we must encourage — not place harmful restrictions or make arbitrary value judgments — on charitable giving."

In another piece that was distributed widely, Robert Reich, former Secretary of Labor, also raised doubts about which charities deserve to qualify for the charitable deduction.

He states in part: "What portion of charitable giving actually goes to the poor? A 2005 analysis by Google and Indiana University's Center for Philanthropy showed that even under the most generous assumptions, only about a third of 'charitable' donations were targeted to helping the poor."

The National Council of Foundations responded: "The idea that policymakers might rank organizations' charitable value raises many complex questions. For example, how would policymakers or tax regulators determine who would deserve the benefit of the deduction or which organizations' purposes were 'charitable'? While ranking charitable value might have some immediate appeal, we'd strongly warn proponents that details and execution matter.

"Our charitable sector thrives because donors get to choose to donate their money to diverse causes. Some choose children's health. Others choose support for military families. Still others choose community theater groups. Philanthropy should remain an independent investment — free of politics or favoritism. "

Charitable organizations are called "nonprofits" because they don't pay their "profits" (excess income over expenses) out to shareholders or owners. All of the dollars go towards the beneficial causes they support. By and large, charities use their funds more efficiently than government, and Congress has recognized this by allowing deductions for gifts to qualified charities.

Studies have continuously shown that $1 given to charity would take about $3 of government money to perform the same services. The vast majority of Americans (88 percent) make charitable contributions.

Why? For most, it's the right thing to do. For others, they or someone they know has benefited from the services. Others simply want to make a difference or do something about a problem or issue.

Madoff does suggest some reasonable solutions for the "problems" he identifies, but the charitable deduction is not a "government waste" of taxpayer money.

JoAnn Stormer is the president of the Rochester Area Foundation, and Paul Harkess is a member of the foundation's development staff.
http://www.postbulletin.com/opinion/joann-stormer-and-paul-harkess-income-tax-deduction-for-charitable/article_5a74bd7f-cb46-5c00-95bc-2a8fa685a17f.html

TwinCities.com
PIONEER PRESS

MINNESOTA'S CHARITABLE AGENCIES HAVE MADE CHANGES TO SURVIVE RECESSION

December 27, 2013
By Frederick Melo

Minnesota is home to fewer charitable nonprofit agencies today than seven years ago but the numbers of employees and service locations continue to increase, two signs of economic rebound after the many mergers and closures that characterized the recession.

Statewide, the recession-era "churn" isn't over, but it does appear to have stabilized. As positions disappear, departments are spun off or entire agencies close, they're being replaced by similar nonprofits and programs. Charitable giving in Minnesota also seems healthier, say industry leaders.

Ann Mulholland, vice president of grants and programs at Minnesota Philanthropy Partners and the St. Paul Foundation, said nonprofits rushed to keep up with cuts and shifts in government funding during the recession, as well as the narrower focus of foundation giving.

Nonprofits are "absorbing other organizations, or parts of work from other organizations, and then those other organizations narrow," she said. "(They're asking) 'What is it that we do best? Where is the revenue stream to fund this work?' "

Mulholland said many groups now are asking for funding to do more than deliver a particular service such as job training for former inmates. They're also looking for broader "systems change" — such as taking part in the "ban the box" campaign that aims to convince major employers not to ask about criminal history on job applications.

In the metro area, funders are especially interested in collective efforts around the so-called "opportunity gap." Those movements include working to close the achievement gap between minority and white students in K-12 schools, increasing access to higher education for low-income and minority students, and improving overall job access.

Excluding hospitals, colleges and universities, the Minnesota Council of Nonprofits found that the number of nonprofit jobs in Minnesota grew 2 percent per year from 2007 to 2012, a period during which the for-profit sector shed employment.

Meanwhile, philanthropic giving to nonprofits is on the rise nationally by about 3 1/2 percent over the past year, or 2 percent for social service agencies. Statewide numbers on philanthropic giving should be available shortly after the end of the year.

Here are examples of the changing outlook for St. Paul-area nonprofits:

PROJECT FOR PRIDE IN LIVING ENTERPRISES

Project for Pride in Living Enterprises, which readies felons and residents of halfway houses for the workforce, decided last year that it needed to make tough choices to stay afloat. So did Rebuild Resources. The two merged, and plan to rebrand themselves in January as Momentum.

At least four staff members were let go, and the new organization has shuttered the Rebuild Resources logo and custom apparel shop. "It was losing money," said Janet Ludden, a former Rebuild Resources board member who now serves as Momentum's president.

Three Minneapolis and St. Paul worksites dedicated to such disciplines as industrial sewing, recycling, wood fabrication and laser welding, on the other hand, have helped Momentum land on firmer financial footing, Ludden said.

"Yes, nonprofits have to think differently," she said. "One of the challenges is understanding that duplication is not going to be successful, and (to) find their own area of expertise, and not be all things to all people.

"We've had to narrow our focus at Momentum — sort of took the best from each organization," Ludden continued. "And we made some hard choices to eliminate the things that weren't working."

NEIGHBORHOOD HOUSE

Armando Camacho credits the rocky football fields behind one of St. Paul's oldest community centers, Neighborhood House, with helping him learn English as a child. Camacho, who is Puerto Rican, returned to the West Side community center nearly six years ago as its executive director.

A week ago, the organization announced his departure. He soon will join Opportunity Partners, a Minnetonka-based agency that serves 1,900 adults with disabilities each year through residential, training and employment programs. Camacho will serve as its president and chief executive officer.

Neighborhood House was able to weather the recession and take over leadership of the East Side Family Centers, which provide social services at four East Side elementary schools, as well as Sibley Manor's Francis Basket, the Highland Park neighborhood's only food shelf.

Camacho said he plans to stay involved with fundraising for an eventual overhaul of the El Rio Vista/Gilbert de la O ball fields. Neighborhood House will appoint interim leadership as it looks for a permanent replacement.

TRANSIT FOR LIVABLE COMMUNITIES

A few years ago, St. Paul-based Transit for Livable Communities was selected to administer a $28 million federal grant, the Bike Walk Twin Cities pilot program, which funded a variety of programs in Minneapolis and St. Paul.

The pilot program is winding down, and TLC will be doing some soul-searching about its next steps, which may focus more on transit advocacy.

To date, the funds have helped launch the Nice Ride bike-sharing program and establish more than 75 miles of bike paths and sidewalks, among other bicycling and walking initiatives. "We've seen a 78 percent increase in bicycling since the pilot began and 16 percent increase in walking," said Hilary Reeves, a TLC spokeswoman.

Eight more projects will be unveiled in 2014, and monthly biking and walking counts will continue. The organization relocated its St. Paul offices this year from the corner of Selby Avenue and Dale Street to the corner of University and Raymond avenues to increase its visibility along the Central Corridor light-rail line.

DISTRICT COUNCILS

How St. Paul's 17 neighborhood district councils are funded is about to change. A new formula will merge the city's long-standing population-and-poverty-based grants with crime-prevention grants, and then adjust funding based on the 2010 U.S. Census.

City officials say the new formula is the fairest way to split up $1.2 million in city grants. Some district council officials in neighborhoods where population has grown say the adjustments are overdue.

Among notable changes, the Payne-Phalen District 5 Planning Council will receive an 8 percent funding increase in 2015, while the Frogtown Neighborhood Association will lose $19,000, or a fourth of its city funding, by 2017.

Frogtown Neighborhood Association director Caty Royce said she plans to fight the new formula, in court if necessary. “I’m not going to be accepting it,” Royce said, pointing to concerns about crime, foreclosures and the empty, city-owned lots that dot Frogtown.

“There’s questions around equity that I think might have legal implications around who gets what, and why. There’s all sorts of ways that we can change that decision, and I’ll be exploring all of them,” she said.

LUTHERAN SOCIAL SERVICE

Lutheran Social Service of Minnesota, one of the oldest and largest private social service organizations in the state, employs 2,400 workers, about the same as it did a year ago. What those numbers mask are the many services that have been added in that time, and others that have shut down.

In the past year, LSS absorbed disability support programs previously run by two nonprofits — Cooperating Community Programs and Dungarvin. In addition, a strategic partnership with Children’s Home Society has left Lutheran Social Service CEO Jodi Harpstead running both organizations, which have merged adoption services but retain separate boards.

“So we’re larger than we were for people with disabilities,” Harpstead said. “We got eight federal grants to expand our services in seven communities in Minnesota.” At the same time, LSS closed or trimmed services at 25 senior dining locations in outstate Minnesota because of funding cuts related to the federal sequester.

SPARC

Sparc, a nonprofit that served the North End of St. Paul, closed in October after about a decade in operation under that name, though its history before a merger that created it stretches back at least another two decades.

Some board members blamed the city for calling due a loan that had helped the organization acquire a 3-acre plot of land on Maryland Avenue, between Western Avenue and Arundel Street. The plan was for a 32-unit townhome development.

Used for years by community growers, the site officially was dubbed the North End Urban Farm in 2011. City officials say that they were under pressure from HUD to redevelop the land into housing and that Sparc was not moving fast enough. The federal agency helped finance the $1.2 million land deal.

The farm, which was leased rent-free to growers such as Stone’s Throw, Page and Flowers, and the Association for the Advancement of Hmong Women in Minnesota, ceased operation. The agencies are hopeful that the future housing development there will have an agricultural component.

NONPROFIT NUMBERS

Employment in the nonprofit sector has increased since 2007, even though the overall number of nonprofits has declined.

NONPROFIT EMPLOYMENT (UP 8.7 PERCENT):

2007: 279,828

2012: 304,236

NONPROFIT EMPLOYERS (DOWN 8.6 PERCENT):

2007: 3,915

2012: 3,580

Source: 2013 Minnesota Nonprofit Economy Update, Minnesota Council of Nonprofits

http://www.twincities.com/localnews/ci_24804861/states-charitable-agencies-have-made-changes-survive-recession

TwinCities.com
PIONEER PRESS

WASHINGTON INSIDERS COMING TO ST. PAUL FOR IDEAS ON TAX POLICY

July 2, 2013
By John Welbes

The end game is uncertain, but the opening move for the latest congressional tax reform effort will be made in St. Paul.

On Monday morning, U.S. Sen. Max Baucus, D-Mont., and U.S. Rep. Dave Camp, R-Mich. — who chair powerful tax committees in each chamber — will visit the 3M Co. in Maplewood and Baldinger Bakery, a commercial baking operation on St. Paul's East Side.

Both legislators have been outspoken about the need to simplify the U.S. tax code, and the stop in St. Paul kicks off a series of visits to listen to people's ideas on the topic.

Baucus and Camp plan to travel the country, "meeting with Americans — individuals, families, workers and business owners, big and small," the two said in a joint statement. "We want to hear how we can make the system fairer and easier to deal with for families across America."

Baucus, chairman of the Senate Finance Committee, and Camp, chairman of the House Ways and Means Committee, have worked together on various issues. "They've had a really great relationship for years now," said Sean Neary, director of communications for the Senate Finance Committee.

The two legislators chose St. Paul because they wanted a location that's representative of America, and one that would have both a large, Fortune 500 company and a small business that's worked on tax issues, Neary said.

During their stop at 3M, Baucus and Camp will tour the company's Innovation Center, accompanied by 3M executives. The Innovation Center highlights the various technologies and materials science used by 3M, the Maplewood-based giant that makes Scotch Tape, traffic markers and thousands of other products. Baucus and Camp will then meet with 3M employees to gather their input on tax issues.

They're expected to do much the same at Baldinger Bakery, which is a fourth-generation, family-owned operation that has a substantial contract with McDonald's to make buns. The Baldingers built a sprawling $10 million high-tech bakery on Phalen Boulevard a couple of years ago. The site is in a tax-increment finance district, and the deal the Baldingers struck with the St. Paul Port Authority included a federal tax credit.

Research and development tax credits are a likely topic at 3M, which spends more than $1 billion a year on R&D. The tax treatment of small businesses, including the corporate tax rate, is expected to come up at Baldinger, Neary said.

While their St. Paul visit can be viewed as a sign of bipartisanship, it should be noted that both Baucus and Camp are likely to draft their own versions of a tax reform bill. Details on their respective plans won't be part of their Monday visit.

"It isn't them stumping," Neary said. "They've had over 50 hearings on it, they've heard from experts on how to make it simpler," and now they want to hear from people around the country.

Camp and Baucus also launched a website, taxreform.gov, and a Twitter feed, @simplertaxes, where citizens can get information and give input about tax reform.

Baucus wants to have a tax reform bill completed during the current Congress, which runs until the end of 2014. And Baucus has already announced he's not running for re-election in 2014, meaning time is short.

Also, while Camp has no plans to leave Congress, his chairmanship of the House Ways and Means Committee has a term limit, and he'll only hold the position through 2014.

"They both very much want to get this done," Neary said.

Future stops for Baucus and Camp are expected to include a health care facility, a nonprofit organization and an institute of higher learning, among others.

http://www.twincities.com/business/ci_23586757/washington-insiders-coming-st-paul-ideas-tax-policy

MINNPOST

PROPOSED CHARITABLE-GIVING TAX-LAW CHANGE DIDN'T SURVIVE CONFERENCE COMMITTEE

May 30, 2013
By Doug Grow

Minnesota nonprofit groups that worried about the impact of a proposed change in state tax law on charitable giving can relax — at least for now.
The controversial House plan, which was not supported by either the governor or the Senate, died in the tax conference committee.

The Minnesota House had proposed moving from a "tax deduction" system to a "tax credit" that would have eliminated any tax benefit for those who itemized if their charitable donations totaled less than 2 percent of their taxable income.

The change would have added $44 million to the state coffers in the next biennium.

The state's charitable giving deductions remain unchanged and continue to mirror federal charitable-giving deductions.

House advocates who pushed for the change aren't saying when — or if — that proposal might surface again.

In related news, a study by the nonpartisan Tax Foundation ranks Minnesota taxpayers fifth in the nation in claiming charitable deductions on itemized federal tax returns.

It should be noted, though, that the Tax Foundation's study on the percentage of tax forms claiming deductions does not necessarily reflect charitable giving trends in the states.

In fact, a 2008 study by the Chronicle of Philanthropy showed that many states that ranked high in percentage of itemized filers claiming deductions didn't rank high in giving as a percentage of income.

That study showed Minnesotans, on average, donated 4.1 percent to charitable causes, a rank of No. 34 in the nation. Utah was No. 1 in that survey. The heavily Mormon state showed households giving at a 10.6 percent rate. Such Bible-belt states as Mississippi, Alabama, Tennessee and South Carolina rounded out the top five.

Most of these studies do not include people who do not itemize. In Minnesota, about 60 percent of the filers do not itemize. But, of course, that doesn't mean they don't make charitable contributions.

In the new study, Minnesota shows 32.7 percent of federal returns including a charitable deduction claim. That puts the state far ahead of neighboring Wisconsin (No. 14), Iowa (21), North Dakota (48) and South Dakota (49).

Maryland leads the way with 40.1 percent of returns showing a claim for charitable deductions, followed by New Jersey, 36 percent, Connecticut, 35.9 percent, and Utah, 33.1 percent.

http://www.minnpost.com/politics-policy/2013/05/proposed-charitable-giving-tax-law-change-didn-t-survive-conference-committe

THE CHRONICLE OF PHILANTHROPY

MINNESOTA NONPROFITS FIGHT CHANGE IN TAX DEDUCTION FOR DONATIONS

May 8, 2013

A coalition of Minnesota charities is battling a proposal to adopt a tax credit for charitable donations instead of allowing a dollar-for-dollar tax deduction in state income tax for residents who do not itemize their returns, the *Star Tribune* writes.

The change is projected to save the state about $40-million every two years, but nonprofit leaders contend it would cut into giving by tax filers who do not itemize. The amount of their donations last year totaled $98-million.

State law allows a dollar-for-dollar deduction on giving of more than $500 for the 173,000 Minnesotans who do not itemize. The plan before the state House would replace that with the tax terms for itemizers: an 8 percent credit on donations exceeding 2 percent of adjusted gross income or $400 ($800 for married joint filers), whichever is greater. Supporters of the change say giving incentives should be the same for all Minnesota taxpayers.

http://philanthropy.com/blogs/philanthropytoday/minnesota-nonprofits-fight-change-in-tax-deduction-for-donations/67627