CHARITABLE GIVING TAKES SIGNIFICANT DROP THIS YEAR

December 20, 2013
By Kim Wynne

Charitable giving in North Carolina has taken a significant drop according to a new report.

Donations have gone down $10 million since 2012.

This is a decrease officials at local non-profits like Allied Churches of Alamance County are seeing up close.

"We're walking a very fine line," said Executive Director Kim Crawford.

Donations like towels, sheets and other items that help house many of the homeless in Alamance County are down.

"We're at capacity," Crawford said. "So if the need gets greater, which I believe that it will, we won't be able to meet it."

It's the same story at many other charities throughout the state this year. The Salvation Army has seen a $10,000 to $12,000 drop in their Red Kettle donations.

"As of Wednesday, we were about 6,000 toys short of what we needed," said Staff Sergeant Jonathan Swanson, of Toys for Tots.

Of the 150 boxes in Guilford County used to collect donations for Toys for Tots, many came back nearly empty.

"Some of them we'd go pick up and they'd been out there for like a month and there'd be like three toys in them," Swanson said.

This is a decrease that caused donors like Sandra Gregory to load up her truck and jump into action, donating more than 80 toys.

It's a generous gift with a big message.

"Just remember everybody, the ones that don't have," Gregory said.

http://myfox8.com/2013/12/20/charitable-giving-takes-significant-drop-this-year/

charlotteobserver.com

CONGRESS SHOULD KEEP CHARITABLE DEDUCTION

September 1, 2013
By David Heinen and Holly Welch Stubbing

Earlier this year, state lawmakers chose to forgo plans to cap or eliminate incentives for charitable giving, and decided to maintain the full charitable deduction on state taxes. That choice has broader significance. Congress is about to consider federal tax reform and policymakers in Washington will be looking closely at North Carolina's deliberate decision to protect the charitable deduction.

As Tim Delaney, President and CEO of the National Council of Nonprofits recently noted, "if the states serve as our policy laboratories, then the lab results are demonstrating conclusively" that "charitable giving incentives deserve a permanent place in every reformed tax code."

Any harmful tax policy changes to the charitable deduction will take away key building blocks that support communities and jobs and would set off costly and cascading consequences. Such a move would hurt those who need help the most. It would force government to take on more responsibility in providing essential services, and it would jeopardize billions of dollars in private donations that support diverse, worthy causes.

Nonprofits under growing pressure
Unlike most tax expenditures, the charitable deduction does not primarily benefit donors. Instead, charitable giving incentives help donors maximize their support to aid the most vulnerable, educate, heal, nurture and innovate – often in ways that government and the private sector cannot.

A Giving USA report says that more than 80 percent of the nearly $229 billion in individual philanthropy in 2012 was from taxpayers who itemized their charitable contributions. Millions of Americans depend on a network of highly effective, compassionate organizations across the country that provide jobs, economic development, food, shelter, places of worship, and countless other vital services.

Sequestration spending cuts may cause members of Congress to assume nonprofits in our communities will always be able to fill the gaps in providing basic safety net programs. The reality is that the ongoing effects of the recession have placed such a strain on nonprofits that many lack the capacity to take on this added responsibility.

Many nonprofits' workloads have increased as the number of North Carolinians living in poverty has jumped to nearly 18 percent. In 2011, 93 percent of N.C. nonprofits experienced an increased need for services, and 58 percent were unable to meet these needs. Two out of every five nonprofits operated at a deficit last year, and one-third had to cut programs or services.

We can't afford to upend the charitable tax deduction, on which nonprofits depend for their survival. These donations from generous individuals, families and corporations are the primary source of funding for many.

Consider Moore Place in Charlotte, which provides permanent housing for the chronically homeless. In the two years before entering this program, 75 tenants cumulatively cost the community $5.9 million, or about $40,000 per person, per year. Moore Place provides supportive housing for this same group for less than $14,000 per person per year, while reducing incidents of arrests, jail time and costly emergency room visits and hospital admissions by approximately 80 percent.

Policy decisions that reduce charitable contributions also hurt our economy. In North Carolina, nonprofits employ 425,000 people, or 11 percent of the state's workforce. The entire manufacturing industry provides about the same number of jobs. In the last decade, the nonprofit sector's economic impact in the state more than doubled – from $17 billion to $38 billion.

We hope every member of North Carolina's congressional delegation will make it a priority to protect the charitable tax deduction. Lawmakers in Washington should have a clear understanding of what is at stake.

David Heinen is director of public policy and advocacy for the N.C. Center for Nonprofits. Holly Welch Stubbing is senior vice president and in-house counsel for Foundation For The Carolinas.

http://www.charlotteobserver.com/2013/09/01/4276721/congress-should-keep-charitable.html#.UiZcjWRt65c

Better Living

CHARITABLE GIVING CONTINUES TO RISE

August 20, 2013
By Diana Corbett

The Giving USA Foundation released its Giving USA: The Annual Report on Philanthropy for the Year 2012 in July. The report, written at the Indiana University Lilly Family School of Philanthropy will be cocktail conversation for everyone involved in philanthropy for the next few months.

According to the Giving USA report, 2012 giving swelled to $316.23 billion, an increase of 3.5 percent over 2011 ($305.45 billion) and surpassed the previous record of $311.06 billion in 2007.
Corporate giving showed a 12.2 percent increase from $16.18 billion in 2011 to $18.15 billion in 2012. Sabrina Stephens, regional market executive and senior vice president of North State Bank, reported that its corporate giving increased 33 percent locally – $13,530 in 2011 to $17,950 in 2012 – and 37 percent statewide – $103,770 in 2011 to $142,340 in 2012.

"As employees of North State Bank, we believe that giving back to the communities we serve is integral to the success of our bank," Stephens said. "It bolsters our communities, our employees and our organization. When our communities succeed, our customers succeed, and with our involvement in that process, no better money can be spent to describe or advertise the core values, culture and beliefs of our bank."

Individuals, however, remain the leading philanthropic investors supplying on average between 72 and 78 percent of total giving dollars.

In 2012, individuals gave $228.93 billion, up 3.9 percent from 2011 ($220.26 billion). A quick survey of 40 Wilmington households revealed that 40 percent gave more in 2012 than 2011. Fifty-six percent of those households streamlined their giving to 10 or fewer organizations.

Mirroring the Giving USA report, these Wilmingtonians primarily gave to religious organizations, followed by educational institutions and human service organizations.

The U.S. government began allowing tax incentives for charitable donations in 1917.

Since 2002, individuals have given approximately 2 percent of their annual disposable income to qualified organizations. According to the USA Giving Report, 81 percent of individuals who give itemize their deductions. Eighty-seven percent of the Wilmington households surveyed itemize their charitable deductions.

Currently, both the U.S. House and Senate committees overseeing tax policy are eyeing the charitable deduction as part of the tax system reform. Changing and/or limiting this deduction would have a dramatic effect on the country.

The Charitable Giving Coalition was formed in 2009 to preserve the charitable giving deduction. They remind lawmakers that the charitable deduction is an integral part of the country's welfare. The coalition reports that for each dollar a donor gets in tax relief, the public receives $3 in benefits. That's a pretty substantial return on investment.

According to the Charitable Giving Coalition website: "Viewing it (charitable deduction) as a 'tax break for the richest' ignores the lifeline that nonprofit support services and jobs provide millions of Americans." The 100-year tradition of incentivizing charitable deductions should be left alone. "It's not about the donor. It's about what donors' dollars do to aid the most vulnerable, educate, heal, nurture and innovate – often in ways that government and the private sector cannot."

http://www.starnewsonline.com/article/20130820/BETTERLIVING/130829979?p=1&tc=pg

WINSTON-SALEM JOURNAL

CHARITABLE CONTRIBUTIONS NEED PROTECTION

August 13, 2013
By David Heinen and Holly Welch Stubbing/Guest columnist

Earlier this year, state lawmakers chose to forgo preliminary plans to cap or eliminate incentives for charitable giving, and decided to maintain the full charitable deduction on state taxes. The General Assembly's decision to keep the charitable deduction as the only state tax deduction safe from elimination or caps has broader significance. Congress is about to consider federal tax reform and policymakers in Washington will be looking closely at North Carolina's deliberate decision to protect the charitable deduction.

As Tim Delaney, the president and CEO of the National Council of Nonprofits, recently noted, "if the states serve as our policy laboratories, then the lab results are demonstrating conclusively" that "charitable giving incentives deserve a permanent place in every reformed tax code."

Any harmful tax policy changes to the charitable deduction will take away key building blocks that support communities and jobs and would set off costly and cascading consequences. Such a move would hurt those who need help the most. It would force government to take on more responsibility in providing essential services, and it would jeopardize billions of dollars in private donations that support diverse, worthy causes.

Unlike most tax expenditures, the charitable deduction does not primarily benefit donors. Instead, charitable giving incentives help donors maximize their support to aid the most vulnerable, educate, heal, nurture and innovate – often in ways that government and the private sector cannot.

A Giving USA report says that more than 80 percent of the nearly $229 billion in individual philanthropy in 2012 was from taxpayers who itemized their charitable contributions. Millions of Americans depend on a network of highly effective, compassionate organizations across the country that provide jobs, economic development, food, shelter, places of worship, and countless other vital services.

Sequestration spending cuts may cause members of Congress to assume nonprofits in our communities will always be able to fill the gaps in providing basic safety net programs. The reality, however, is that the ongoing effects of the recession have placed such a strain on nonprofits that many lack the capacity to take on this added responsibility.

The workload of many nonprofits has increased as the number of North Carolinians living in poverty has jumped to nearly 18 percent. In 2011, 93 percent of North Carolina nonprofits experienced an increased need for services, and 58 percent were unable to meet these needs. Two out of every five nonprofits operated at a deficit last year, and one-third had to cut programs or services.

We can't afford to upend the charitable tax deduction, on which nonprofits depend for their survival. These donations from generous individuals, families and corporations are the primary source of funding for our nonprofits.

Consider Moore Place in Charlotte, which provides permanent housing for the chronically homeless.
In the two years before entering this program, 75 tenants cumulatively cost the community $5.9 million, or about $40,000 per person, per year. Moore Place provides supportive housing for this same group for

less than $14,000 per person per year, while reducing incidents of arrests, jail time and costly emergency room visits and hospital admissions by approximately 80 percent.

Donations are essential to Habitat for Humanity of Forsyth County's ability to build hundreds of homes for persons living in substandard housing. There are nearly 3,000 volunteers – many of whom also donate to the cause to keep this important work going.

Those are just two examples. There are countless others like them.

Policy decisions that reduce charitable contributions also hurt our economy. In North Carolina, nonprofits employ 425,000 people, or 11 percent of the state's workforce. The entire manufacturing industry provides about the same number of jobs. In the last decade, the nonprofit sector's economic impact in the state more than doubled – from $17 billion to $38 billion.

We hope every member of North Carolina's congressional delegation will make it a priority to protect the charitable tax deduction. Lawmakers in Washington should have a clear understanding of what is at stake. That's why nonprofit leaders and concerned citizens are making a strong case by directly contacting members or Congress and providing input through lawmakers' online resources like TaxReform.gov and @simplertaxes. Hopefully members of Congress will follow the lead of their counterparts in Raleigh.

David Heinen is director of public policy and advocacy for the N.C. Center for Nonprofits in Raleigh (www.ncnonprofits.org).
Holly Welch Stubbing is senior vice president and in-house counsel for Foundation For The Carolinas in Charlotte (www.fftc.org).

http://www.journalnow.com/opinion/columnists/article_5942b3d2-0445-11e3-bd67-0019bb30f31a.html

NORTH CAROLINA'S REPUBLICAN TAX EXPERIMENT

August 8, 2013
By Jeanne Sahadi

Tax reform is still all talk, talk, talk in Washington. And many expect real action could take years.

But not in North Carolina. The state has taken a very big first step in overhauling its tax code — enacting its first major reform in 80 years.

The change, signed into law last month, creates a modified flat tax system, with a single income tax rate, an increased standard deduction and fewer tax breaks, as well as the elimination of the personal exemption and a $50,000 deduction for small business owners. It also repeals the state's estate tax.

"It's fairly radical in relation to other states," said Kathleen Thies, senior state tax analyst for the tax publisher CCH.

The overhaul has been lauded by Republicans, who dominate the state's legislature. They see the changes as a way to attract more business to North Carolina and **create jobs**.

The big hope: The new economic activity will compensate for the estimated $2.4 billion revenue loss over the next five years as a result of the reforms.

But the overhaul — which represents a scaled back version of earlier proposals — has been **heavily criticized** by many, mostly liberals. They contend its tax cuts will disproportionately benefit the rich and the revenue loss will cut into government services.

Starting in 2014, the individual income tax rate will be 5.8%, and then it will fall to 5.75% in 2015. Those rates are down from the 6%, 7% and 7.75% rates currently in effect.

The standard deduction, meanwhile, will more than double — to $7,500 for singles, from $3,000; and to $15,000 for married couples filing jointly, from $6,000.

The corporate income tax will also be reduced in 2014 to 6% from 6.9%. It will drop to 5%in 2015. And if revenue growth targets are met, the rate could go as low as 3% thereafter.

For several reasons, North Carolina's reform strays from a pure **flat tax system**, which would simply apply one tax rate to income and wages, one to business income and a standard deduction for everyone.

Instead, the Tar Heel state's tax overhaul still allows for several **tax breaks** on top of the standard deduction. Among them: charitable contributions, a child tax credit and a joint deduction for mortgage interest and property taxes.

That combined real estate deduction, however, is capped at $20,000. That could reduce the value of those tax breaks for anyone who's now paying at least a 4% rate on a $400,000 or $500,000 mortgage or for someone who owns multiple properties, according to CPA Rollin Groseclose, who is based in Asheville, N.C.

North Carolina's tax overhaul also strays from a pure **flat tax system** because individuals still must pay taxes on their investment income, which will continue to be treated as ordinary income.

Lastly, the reform did very little to expand the list of services subject to the state **sales tax**, noted Groseclose, who is on the board of the North Carolina Association of CPAs.

The **independent association**, which didn't advocate for any particular proposal, has been calling for a modernized tax code that is less dependent on personal and corporate income taxes, which can be **volatile**.

The state's biggest opportunity for more revenue would be to apply its sales tax to services, Groseclose said. But the new reforms still leave most of them exempt.

Indeed, he noted, only about 25 or 30 services are subject to tax — such as dry cleaning. But another 165 to 175 could be — such as CPA services.

Groseclose sees the new law as a work in progress and expects legislators to continue to make adjustments in the next few years.

It's hard to say yet what lessons North Carolina will hold for lawmakers in **Washington** as they seek to overhaul the federal tax code.

While the chief tax writers in the House and the Senate may produce **tax reform** legislation this fall, few expect those proposals to get very far **this year** or next, a midterm election year.

That's because both parties still can't bridge their most basic differences, such as whether reform should raise more revenue than the current system or not.

But like North Carolina, it's a fair bet if they do get around to passing tax reform, the end product may not be as much of a one-eighty as reformers had hoped.

http://money.cnn.com/2013/08/08/pf/taxes/tax-reform-north-carolina/

PHILANTHROPY JOURNAL
nonprofit news + resources

NC NONPROFITS FARED WELL IN STATE TAX CHANGES

July 29, 2013
By David Heinen

Last week, Governor Pat McCrory signed into law legislation (H.B. 998) that makes major changes to North Carolina's tax system. The tax plan, which reduces individual and corporate income tax rates and eliminates many tax "loopholes," was the culmination of months of tax reform debate among policymakers in Raleigh.

Nonprofits were at the heart of these discussions, as nonprofit tax exemption and incentives for charitable giving were two of the most contentious issues among legislators.

What the tax plan means for nonprofits
Not much has changed on nonprofit sales tax exemption - at least for now. North Carolina currently nonprofits pay sales tax on their purchases, but can apply for semi-annual refunds from the Department of Revenue. The tax plan caps these refunds at $45 million per year, which is more than any nonprofit currently pays.

Nonprofits remain concerned, however, that the introduction of a cap on sales tax refunds will be an invitation for future legislators to force more and more nonprofits to pay sales tax without reimbursement. The Senate's original plan capped nonprofit sales tax refunds at $100,000 per year. This would have affected about 250 nonprofits, including hospitals, private colleges and universities, churches, retirement communities, and hospices. Nonprofit leaders advocated with a unified voice that any limitation on tax exemption for charitable organizations is bad policy.

Perhaps the biggest victory for the nonprofit sector was legislators' decision to maintain the charitable deduction on state taxes. The Senate's original plan called for the elimination of all itemized deductions, including the charitable deduction. The first House tax reform bill included a $25,000 cap on the total of deductions for charitable contributions and mortgage interest paid. A bipartisan group of representatives amended the House bill to remove the limit on the charitable deduction, and the protection of incentives for charitable giving ultimately became a priority for House tax negotiators.

The General Assembly's decision to make the charitable deduction the only state tax deduction that isn't eliminated or capped may have broader significance. Congress is about to consider federal tax reform, and policymakers in Washington will be looking closely at North Carolina's deliberate decision not to harm the charitable deduction. As Tim Delaney, president and CEO of the National Council of Nonprofits recently noted, "If the states serve as our policy laboratories, then the lab results are demonstrating conclusively" that "charitable giving incentives deserve a permanent place in every reformed tax code."

The final tax package had mixed news for nonprofits on other incentives for charitable giving. Despite initial resistance from the Senate, H.B. 998 maintains the corporate tax deduction for charitable contributions. However, it eliminates tax credit for charitable contributions by individuals who don't itemize their taxes.

One of the largest philosophical differences between the House and Senate was the expansion of the sales tax to services. The Senate's initial tax proposal would have imposed sales tax on more than 100 services that are currently untaxed, including child care, health care, community care retirement homes, hospice care, community housing, admission to arts and some educational programs.

This could have hurt nonprofits in two ways. First, it would have forced many nonprofits to become tax collectors, adding new red tape to their operations. Second, it would force nonprofits to choose between charging higher prices to those who use their services or reducing their program service revenue by internalizing the additional cost of sales taxes.

Ultimately, legislators followed the House's more limited approach to broadening the sales tax to services. Mostly, the tax plan won't require nonprofits to charge sales tax on services if they don't already collect sales tax on goods they sell. One significant exception is that nonprofit arts and cultural organizations will be required to charge sales tax on admission fees. Arts nonprofits fear that this will cost mean administrative headaches and lost revenue, even though it won't bring in much additional tax money for the state.

The tax plan also repeals several other tax provisions that affect some nonprofits. For example, environmental organizations may find it harder to get land donations without tax credits for contributions of real property for conservation purposes, and private colleges will need to deal with a new tax on food served by dining halls.

In the future, the tax changes may mean further cuts to state grants and contracts with nonprofits. Nonpartisan legislative staff anticipates that the tax plan will reduce state revenue by about $2.4 billion over the next five years. In recent years, shortfalls in state finances have led to disproportionate reductions in funding for nonprofits, regardless of which political party is in power.

The N.C. Center for Nonprofits has prepared a chart comparing the nonprofit provisions in the final compromise with the latest House and Senate tax plans.

What comes next?
The Revenue Laws Study Committee will begin meeting this fall to discuss further changes to tax laws. The committee can't make new laws, but its recommendations will carry significant weight when the General Assembly reconvenes next May. The study committee will consider three issues that are important to nonprofits:

1. Whether to make further changes to nonprofit sales tax refunds. The committee could recommend lowering the $45 million cap to a level that affects some or all nonprofits. On the other hand, it could recommend doing away with the burdensome pay-now-and-get-your-refund-later system and allow nonprofits to be truly exempt from paying sales tax on their purchases.
2. Whether nonprofit arts organizations should be exempt from the new sales tax on admission to entertainment. This new tax will unquestionably hurt arts nonprofits with little benefit to the state. With more chance to hear from these organizations, legislators may reconsider.
3. Whether to require more nonprofits to charge sales tax on their services.

While nonprofits fared well overall in this round of state tax changes, the sector must remain unified and vigilant to protect nonprofit tax exemption in the coming years.

David Heinen is policy director for the N.C. Center for Nonprofits in Raleigh. Along with Beth Messersmith of Momsrising.com North Carolina, he will present Philanthropy Journal's "Advocacy Boot Camp" Webinar on Oct. 16. Details will follow soon.

http://www.philanthropyjournal.org/resources/nc-nonprofits-fared-well-overall-round-state-tax-changes

dailytarheel.com
Serving UNC students and the community since 1893 | The Daily Tar Heel

FEDERAL TAX REFORM MAY LIMIT PRIVATE DONATIONS TO UNIVERSITIES

February 28, 2013
By Jacob Rosenburg

The prospect of decreased benefits for private charitable donors has raised concerns among universities already strapped for cash.

The U.S. House of Representatives' Ways and Means Committee invited multiple charitable institutions, including universities, to Capitol Hill recently for a hearing on potential changes to the charitable tax deduction.

Discussions are still in the early stages, said Bradley Ballou, director of federal government relations for the UNC system. But he said the situation is being monitored closely.

"Bottom line, after the fiscal cliff deal, colleges and universities came out pretty well," Ballou said.

The system aims to emerge from federal tax reform — as well as millions in potential cuts to research and financial aid because of sequestration— unscathed, Ballou said.

But some officials are concerned that decreased benefits would deter some private donors.

Private donations are increasingly necessary in a time of declining state and federal aid, said Mark Huddleston, president of the University of New Hampshire, during committee testimony.

Ballou and Huddleston said charitable donations provide money for a wide range of university priorities. The UNC system uses gifts to the endowment for scholarships and research, the core mission of the system's universities, Ballou said.

"For every dollar a typical donor receives in tax relief for his or her gift, the public gains approximately three dollars of benefit," Huddleston said.

Federal scrutiny of the charitable tax deduction comes as UNC-CH plans a large fundraising campaign.

The campaign aims to exceed the Carolina First campaign, the largest fundraising effort in the University's history, that raised $2.38 billion during eight years.

The new campaign is in its early planning stages while the University searches for a new vice chancellor for university advancement.

The former vice chancellor, Matt Kupec, resigned last year after an audit revealed that he usedUNC-CH foundation funds for personal travel.

The University received $287.4 million in gifts and $331.4 million in commitments in fiscal year 2012, continuing an upward trend in gifts that began in 2011, according to the 2012 Development Annual Report.

Nationally, colleges and universities received $31 billion in aid in 2012, a slight 0.2 percent inflation-adjusted increase from last year, according to a report from the Council for Aid to Education, a nonprofit that researches private donations to higher education.

That total still ranks below a historical high of $31.6 billion in 2008, as the economy continues to recover.

Potential tax changes could affect the timing of gifts, said Ann Kaplan, director of the survey.

Before the Tax Reform Act of 1986, which limited charitable deduction benefits, was implemented in 1987, donations to charities increased sharply.

"Tax treatments of gifts certainly has a timing effect," she said. "But over time, charitable giving does tend to return to its level."

http://www.dailytarheel.com/article/2013/02/federal-tax-reform-may-limit-private-donations-to-universities