Colorado NONPROFIT Association

Federal and State Policy Impacting your Nonprofit -Advocacy in Action

Southeast Rural Philanthropy Days

June 14, 2018

Outline

- Advocacy and Lobbying Rules
- Key Federal Tax and Policy Issues
- Key State Policies
- Communicating with Elected Officials

Advocacy and Lobbying Rules

Advocacy

- Identifying, embracing, and promoting a cause
- Advocacy can influence public opinion as well as public policy (Center for Lobbying in the Public Interest)
- "Who can I talk to today to advance our mission?"

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Advocacy and Policy Change Tactics

Coffman, J. Foundations and Public Policy Grantmaking (2008)

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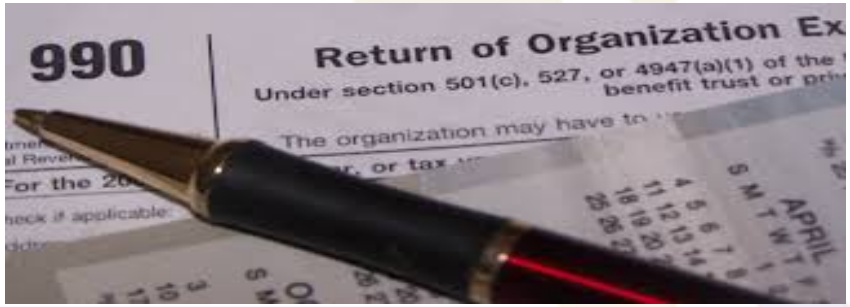
501(c)(3)- Lobbying & Political Rules

Nonprofits **cannot** support or oppose candidates for elected public office

Nonprofits **can** lobby but limited to either:

- an "insubstantial part" of activities; or
- a percentage of expenditures based on budget size - 501(h) election

IRS - Lobbying



- IRS defines lobbying as:
  - Influencing legislation by urging the **public** to contact legislators (grassroots lobbying); or
  - Advocating adoption/rejection of bills or ballot measures by **lawmakers** (direct lobbying)

Key Federal Tax and Policy Issues

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Nonprofit Sector Revenues

Data Sources: The Nonprofit Sector in Brief, National Center for Charitable Statistics, 2015 (2013 data); Giving USA 2014 (2013 data); Foundation Center report (2013). Excludes non-reportable revenue and giving to religious institutions.

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Revenue Sources by Subsector

Sector	Private Donations	Private Payments	Govt. Grants/payments	Investment Income	Other revenue
Arts, culture, humanities	44	34	16	< 1	6
Education	20	65	15	3	2
Environment/ animals	51	28	15	< 1	5
Health care	4	59	35	< 1	2
Human Services	17	28	51	1	3

Source: Evaluating the Charitable Deduction and Proposed Reforms, Urban Institute, June 2012

Coloradans Consider Tax Benefits

- 50% consider tax benefits when donating.
  - Incomes over $100,000 (75.8%)
  - Gen X (59%)
  - Baby Boomers (50 percent)
  - Millennials (42 percent)
  - Those who donate more in the past 12 months

Source: *Understanding Giving: Beliefs and Behaviors of Colorado's Donors*, Colorado Nonprofit Association

Tax Reform (for 2018 tax year)

- **Changed brackets:** 10, 12, 22, 24, 32, 35, & 37 percent
  - 10, 15, 25, 28, 33, 35, 39.6 percent in 2017 tax year
  - Exempts first $10,350 ind./$20,700 couple
- **Increased standard deduction:** $12,000 individual/$24,000 couple
  - Currently, $6,350 individual/$12,700 couple
  - Incorporates personal exemption (currently $4,500)
- **Increased child tax credit (age 18):** $2,000 ($1,450 refundable)
- **Zeroes penalty for not having health coverage in 2019**

Tax Reform (for 2018 tax year)

- **Eliminates most itemized deductions and modifies:**
  - *Charitable deduction-* expands up to 60% of income (currently 50%)
  - *Mortgage interest-* $750,000 new mortgages; limits use home equity debt
  - *State and Local Taxes-* Replaced property tax deduction up to $100,000
  - *Medical expenses-* lowered to 7.5% for next two years
- **Doubles estate tax exemption0** $11 million individuals/$22 million couples
- **Taxes nonprofit college endowments**-1.4% on schools with more than 500 full-time students and $500,000 of assets per student
- **Taxes executive compensation-** 21% tax on $1 million or more

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Average Charitable and Itemized Deductions (2015)

Income	Average Charitable Deduction	Average Itemized Deduction
$1K under $10K	$1,164	$15,683
$10K under $25K	$2,012	$15,718
$25K under $50K	$2,291	$15,439
$50K under $75K	$2,606	$17,002
$75K under $100K	$3,087	$19,438
$100K under $200K	**$4,000**	**$23,744**
$200K under $500K	$7,120	$37,782
$500K under $1M	$18,006	$70,910
$1m or more	$154,468	$317,945
Average	**$5,595**	**$25,509**

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Charitable Giving by Income (2015)

Income	Total Charitable Contributions	Aggregate Amount Given
$1K under $10K	$9,781,000	$9,781,000
$10K under $25K	$51,538,000	$61,319,000
$25K under $50K	$179,107,000	$240,426,000
$50K under $75K	$280,191,000	$520,617,000
$75K under $100K	$329,551,000	$850,168,000
$100K under $200K	**$985,948,000**	**$1,836,116,000**
$200K under $500K	$705,830,000	$2,541,946,000
$500K under $1M	$266,485,000	$2,808,431,000
$1m or more	$1,073,558,000	$3,881,989,000
Total	**$3,881,989,000**	**$3,881,989,000**

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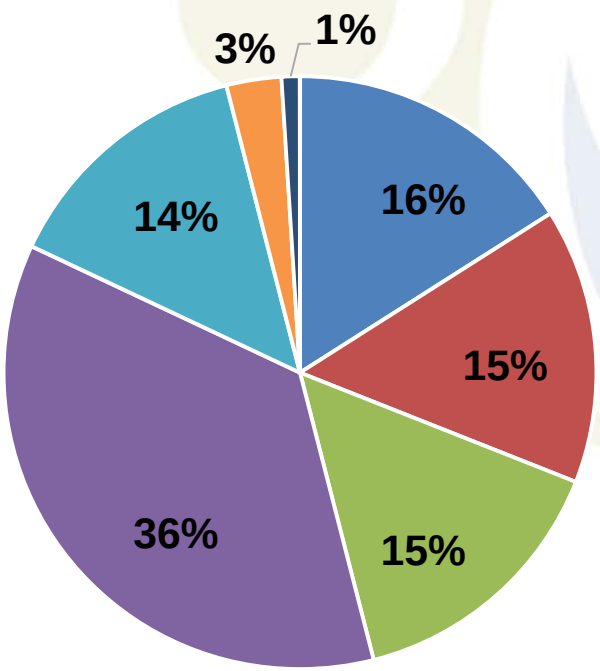
Colorado: 2015 Returns with Charitable Deductions



Under $50K | $50K under $75K | $75K under $100 K | $100K under $200K | $200K under $500K | $500K under $1M | $1m+

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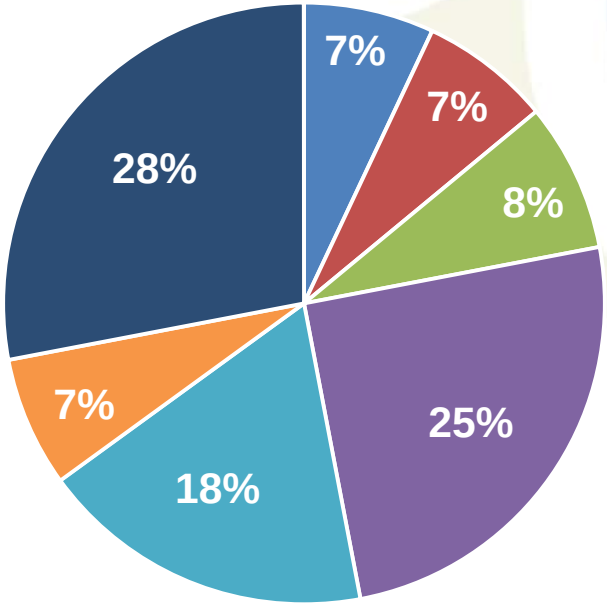
Colorado: 2015 Percent of Total Gifts Deducted



- Under $50K
- $50K under $75K
- $75K under $100K
- $100K under $200K
- $200K under $500K
- $500K under $1m
- $1m+

Effect on National Charitable Giving

- Higher standard deduction = fewer itemizers
  - From 30 percent itemizers to 13 percent
- Does not mean more giving
  - Up to $13.1 billion in reduced giving projected (5% decrease)
  - Source: *"Tax Policy and Charitable Giving Results"* (Indiana University study)
  - A 5% reduction would be $194 million in CO

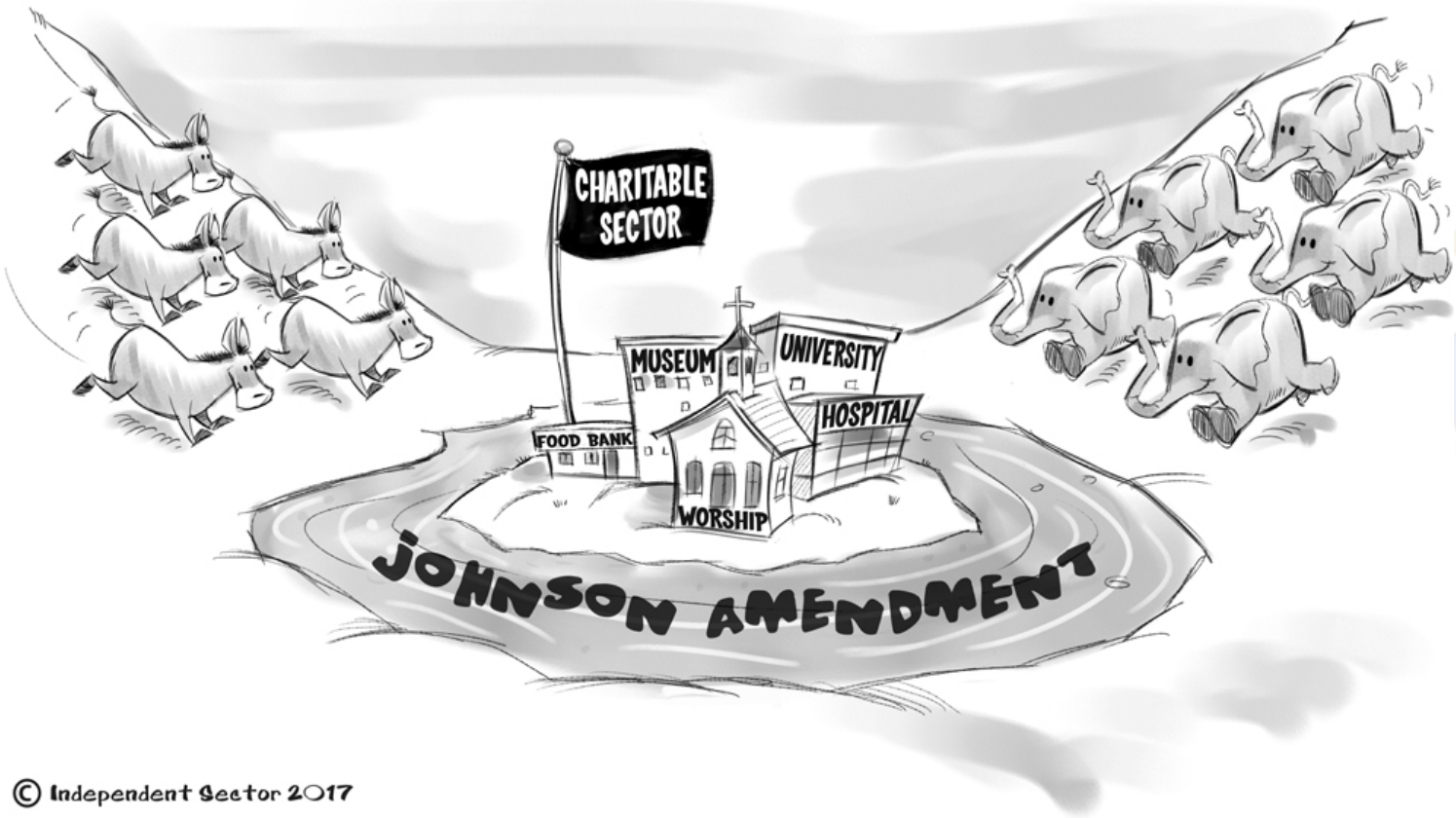
Bills to Expand Federal Deduction

- Allowing 100% of taxpayers to deduct generates up to $4.8 billion in giving/yr (Indiana)
- *Charitable Giving Tax Deduction Act (H.R. 5771)*- "above the line"
- *Universal Charitable Giving Act (H.R. 3988/S.2123)*
  - Allows non-itemizers to deduct up to 1/3 of standard deduction ($4,000 individuals/$8,000 couples)
  - Co-sponsored by Reps. Lamborn and Tipton

Federal Tax Law & Nonprofits as Employers

- Unrelated business income tax (UBIT) changes
  - Calculated for separate trades or businesses and not aggregated.
  - UBIT for paying employees' commuting/parking expenses, and on-site gym memberships
- Took effect Jan. 1 but no IRS guidance yet
- *Asking IRS to delay effect of UBIT rules until one year after guidance is finalized*
  - [Comment on 990-T at www.irs.gov/forms-pubs/comment-on-tax-forms-and-publications]

Nonpartisanship (Johnson Amendment)



Nonpartisanship

- Nonprofits can support/oppose policies but not candidates
- Left out of tax reform but pending:
  - ***Appropriations rider**- IRS must run enforcement actions regarding churches by tax committees first*
  - **Federal bills-** repeal it entirely or exception for speech
    - Proposed in House tax reform bill for churches and then 501(c)(3)s generally
  - **2017 Executive Order-** softer or same enforcement for churches?

Why the Johnson Amendment matters

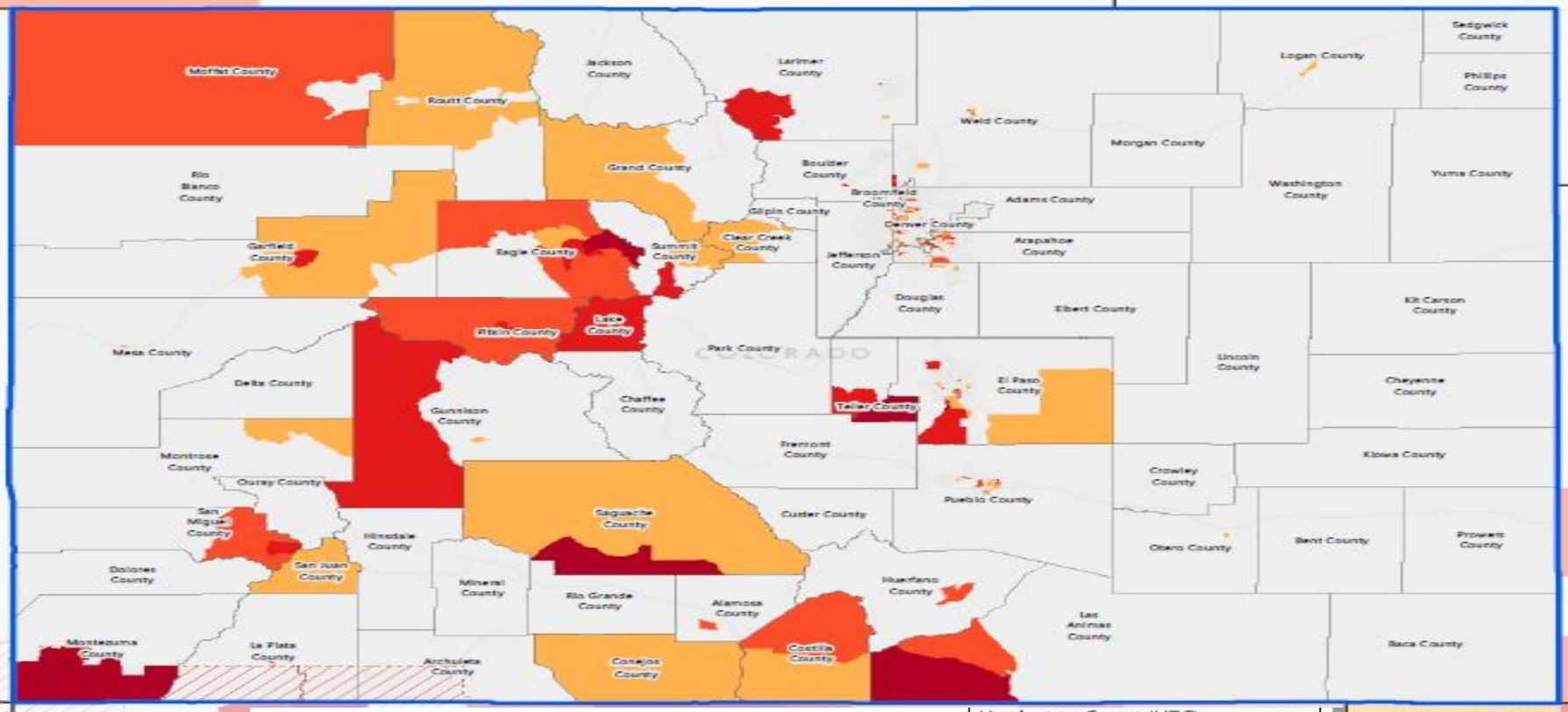
- Donors trust gifts are for causes not candidates
- Weakening it allows tax break for political donations
  - $2B taxable political donations diverted to churches (JCT on House tax reform)
- Keeps nonprofits from taking sides
  - Would donors condition gifts on endorsements?
  - Board split on who to endorse?
  - Public served by Democratic, Republican charities?

Census 2020

- What's at stake?
  - Ensuring all people in our communities count
  - Data helps nonprofits understand their communities
  - $8 billion in federal assistance funds to CO per year
    - $1,481 per capita (George Washington University)
  - Colorado projected to add a Congressional district
- Primarily online with phone and mail options
- Needs consistent funding- $1.34 billion more for '18
- Controversy over citizenship question

CENSUS 2020

HARD-TO-COUNT COMMUNITIES IN COLORADO



In the 2010 decennial census, **79.1% of Colorado's households mailed back their questionnaire, requiring more costly and difficult in-person follow up from the Census Bureau to count the remaining 20.9%.**

Based on the latest census estimates, **approximately 16% of Colorado's current population (or 852,143 people) lives in hard-to-count neighborhoods,** shaded in **light orange to dark red** on the map. (These are census tracts where almost a quarter or more households did not mail in their census questionnaire in 2010.) Without higher self-response, more households in these and other neighborhoods in Colorado are at risk of being missed in the 2020 census.

Hardest to Count (HTC) Tracts in the Nation

Tracts with 2010 mail return rates of 73% or less (in the bottom 20 percent of return rates nationwide) are shaded on the map. Tracts with >73% return rate are not displayed.

- 0 - 60% mail return rate
- 60 - 65%
- 65 - 70%
- 70 - 73%
- Tracts counted using special Update/Enumerate method; they are hard-to-count but mail return rates not applicable

25 50 Miles

Cartography by CUNY Center for Urban Research, 2017.
Data: U.S. Census Bureau; ESRI Basemap.
Created: 4/20/2018

HTC 2020

https://www.censushardtocountmaps2020.us

Key State Policies

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Donate to a Colorado Nonprofit Fund

What you should know about the recently passed SB 18-141

Provides a convenient way for taxpayers to donate to nonprofits serving our communities!

The process is easy! Taxpayers enter an amount and a qualifying nonprofit right on the tax form

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Donate to a Colorado Nonprofit Fund

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Donate to a Colorado Nonprofit Fund

- Expands options for taxpayers beyond the 19 checkoffs named on the tax form
- Eligible nonprofits must be registered to fundraise with the Colorado Secretary of State for at least five years and in good standing
- Available to taxpayers in 2020 for 2019 taxes
- Colorado Nonprofit Association is seeking private funding to implement this program

Taxpayers can now direct their tax refunds to a nonprofit of their choice!

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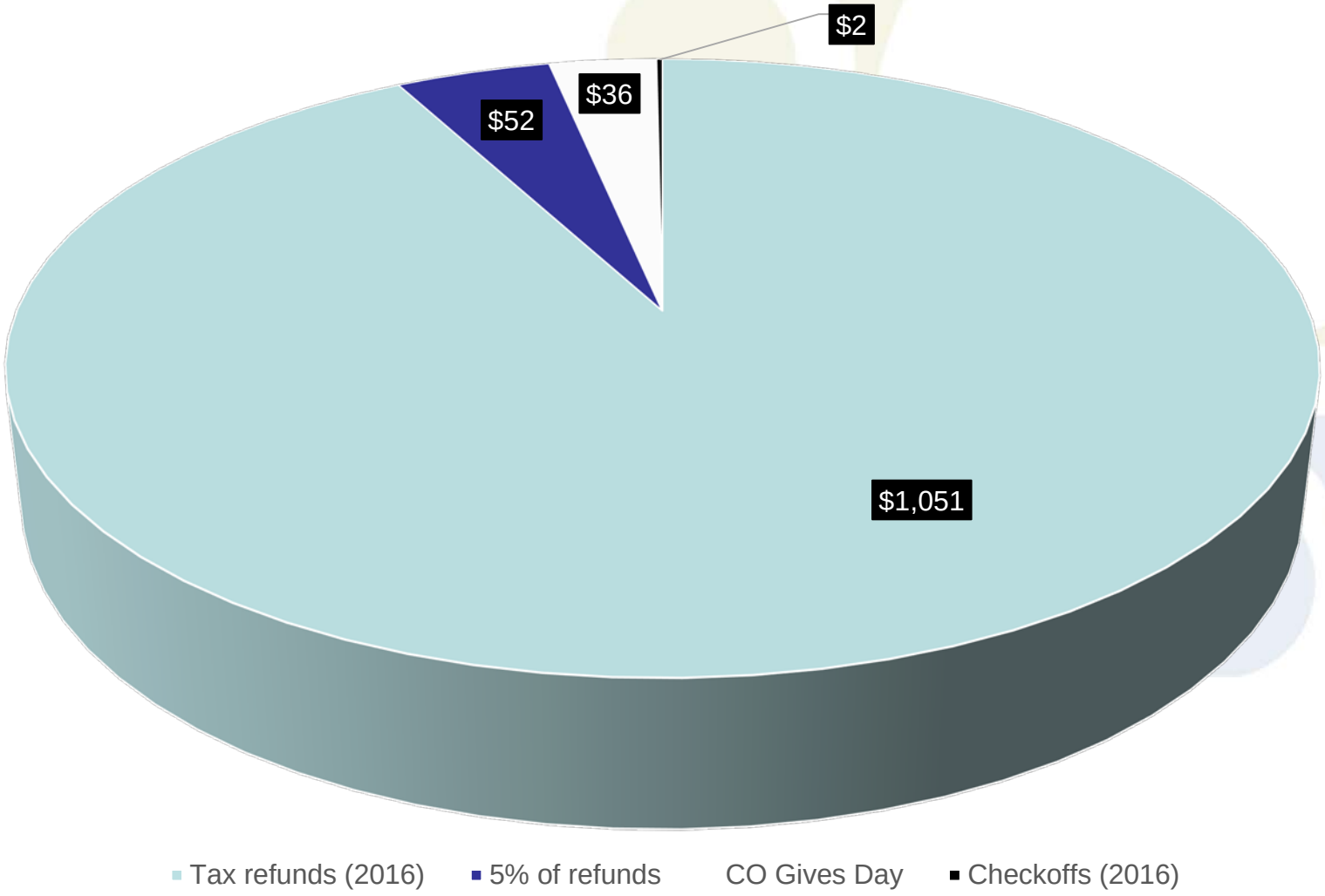
Tax Refunds and Opportunities for Giving (in millions)



HB 18-1013 Nonprofit Sustainability Act

Donors save $1 on taxes
(25% credit up to $5,000)

for every $4 they give
(maximum gift of
$20,000

HB18-1013 Nonprofit Sustainability Act

Raises up to $48 million per year for nonprofits' reserves ($12 million of credits)

Reserves invested in endowments for long-term returns

HB18-1013 Nonprofit Sustainability Act

Boards invest assets prudently and uphold donor intent

Nonprofits have funds for innovations, rainy days or to supplement annual revenues

Tax Expenditure Review

- CO Auditor evaluates tax credits and deductions every 5 years starting in 2018
- For 2018 (report due in September)
  - exemption for sales to nonprofits
  - credits for child care contributions, historic property preservation, low-income housing, & hunger-relief
- For 2019, enterprise zone credits

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Communicating with Elected Officials

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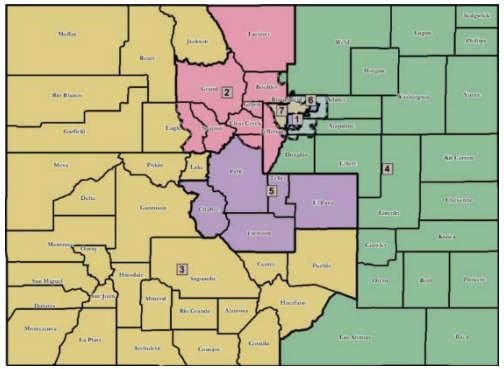
Things to Learn About Your Elected Officials

- District number/areas represented
- Political party and values
- Professional background
- Personal interests and family
- Where they give or volunteer



An Official's FAQs

- What does your organization do?
- How does this work (or issue) affect the people I represent?
- What is your position (or perspective) on this issue? Why?
- What are the benefits and costs of this policy?
- Who is for or against this policy? Why?
- What are you asking me to do?

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Why Building Relationships with Elected Officials is Important

- *You want them to call you, not just call you back*
- *Don't ask a stranger for a favor*
- *If you don't say anything, they will decide without you*
- *You want to work together with them to solve problems*

Tips for Meeting with Elected Officials

- Introduce yourself and your organization
- Make any asks directly and succinctly
- Keep your meeting brief (elevator pitch)
- Bring fact sheets and materials to leave
- Offer to be a resource in the future
- Invite them to your events; host a site visit

Messaging tips

- Give local facts (district, city, neighborhood)
- Quantify the impact of the issue (scope and significance)
- Share personal stories
  - Bring a client or person impacted
  - Anecdotes, quotes, testimony, etc.

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