



Colorado  
**NONPROFIT**  
Association

# Policy Issues Impacting Colorado's Nonprofits

**Colorado Nonprofit Association**

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**Renny Fagan**

**[rfagan@coloradononprofits.org](mailto:rfagan@coloradononprofits.org)**

## STRATEGIC PLAN CORE ELEMENTS

### INFLUENCE

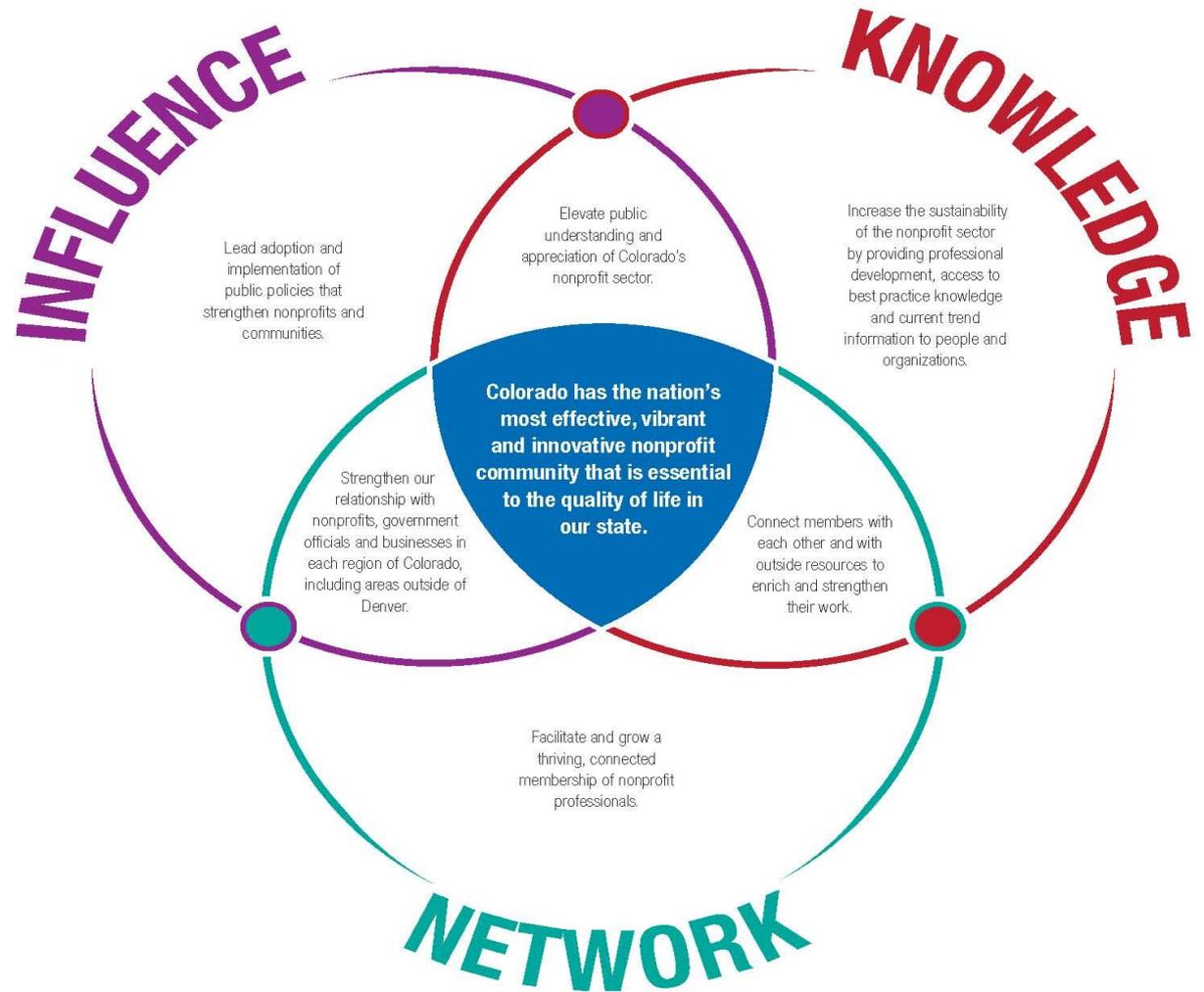
Legislators, businesses, community leaders and the general public recognize the essential value of Colorado's nonprofit sector. Colorado pursues and maintains public policies and partnerships which support a flourishing operating environment for nonprofits.

### KNOWLEDGE

Colorado nonprofit professionals are prepared and inspired to lead sustainable, transparent and innovative nonprofits serving communities.

### NETWORK

Colorado nonprofit professionals have strong relationships with each other and with government officials and business leaders, engendering collaboration, shared resources and peer-to-peer learning.



# Advocacy

- Identifying, embracing, and promoting a cause.
- Advocacy can influence public opinion as well as public policy. (CLPI)
- “Who can I talk to today to advance our mission?”



# Advocacy and Policy Change Tactics



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

# Common Attributes Nonprofits & Government

- Community-based problem solving
- Form and rely on wide community networks
- Follow rules of accountability and transparency
- Seek ways to leverage financial and human resources
- Supported by people who believe in particular causes

We should be natural partners, right?

# In our face or at our back?



# Agenda for Today

- Federal issues impacting nonprofits
- State incentives for charitable giving
- Influencing elected officials and becoming a trusted source
- Lobbying rules that apply to nonprofits

# Revenue Sources by Sector

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% agreed that they consider tax benefits when they donate.
  - Gen X and Baby Boomers
  - Incomes over \$100,000 (75.8%)
  - Republicans more than Independent (27%/19% strongly agreed)
  - Those who gave more (\$1,000 to \$10,000)

# Coloradan's Charitable Giving

Year	Total Charitable Deductions (billions)	Ave. Contribution per Return
2014	\$3.487	\$5,109
2013	\$3.293	\$4,758
2012	\$3.376	\$4,753
2011	\$3.244	\$4,477
2010	\$3.050	\$4,144
2009	\$2.777	\$3,839
2008	\$2.981	\$3,993
2007	\$3.313	\$4,278

# Tax Reform

## Background

- Last overhaul in 1986
- **Speaker's “A Better Way”** tax plan: “*simpler, fairer, and flatter*”
  - 3 tax brackets
  - Higher standard deduction
  - Repeal estate tax, alternative minimum tax
  - “Encourage charitable giving by providing a real tax incentive”



# Tax Reform

- While based in policy goals, the changes add up to reduced individual support for the work of charitable nonprofits in communities:
  - Indiana University study projects \$13.1 billion less

# CO Charitable Deductions (2014 IRS Data)

<b>AGI</b>	<b>% of those deducting</b>	<b>Ave. charitable deduction</b>	<b>Percent of total amount of all charitable deductions</b>	<b>Average total of ALL ALL deductions</b>	<b>Total Charitable Contributions</b>
<i>Under \$25,000</i>	<b>5</b>	<b>\$1,508</b>	<b>.2</b>	<b>\$15,354</b>	<b>\$59,170,000</b>
<i>\$25,000 to \$49,999</i>	<b>12</b>	<b>\$2,188</b>	<b>5</b>	<b>\$14,984</b>	<b>\$177,145,000</b>
<i>\$50,000 to \$74,999</i>	<b>16</b>	<b>\$2,540</b>	<b>8</b>	<b>\$16,830</b>	<b>\$280,473,000</b>
<i>\$75,000 to \$100,000</i>	<b>16</b>	<b>\$3,002</b>	<b>9</b>	<b>\$19,216</b>	<b>\$325,373,000</b>
<i>\$100,000 to \$200,000</i>	<b>35</b>	<b>\$3,916</b>	<b>27</b>	<b>\$24,460</b>	<b>\$929,602,000</b>
<i>\$200,000 to \$500,000</i>	<b>13</b>	<b>\$7,139</b>	<b>19</b>	<b>\$37,486</b>	<b>\$648,883,000</b>
<i>\$500,000 to \$1 million</i>	<b>2</b>	<b>\$19,457</b>	<b>8</b>	<b>\$71,245</b>	<b>\$265,782,000</b>
<i>&gt; \$1 million</i>	<b>0.95</b>	<b>\$123,39</b>	<b>23</b>	<b>\$296,489</b>	<b>\$800,863,000</b>
<i>Totals</i>	<b>100</b>	<b>\$5,110</b>	<b>100</b>	<b>\$24,660</b>	<b>\$3,487,291,000</b>

# Tax Reform

How a non-itemizer (universal) deduction would work:

- Extends the charitable deduction to all taxpayers, whether they itemize or not.
- Increases charitable dollars by \$4.8 billion annually.

# Nonpartisanship

- Nonpartisanship is vital to the effectiveness and impact of 501(c)(3) organizations.
- Although couched in terms of free speech, efforts to repeal or replace current law overstate the limits and ignore the significant harm that changes to the Johnson Amendment would have on nonprofits and the people they serve.
- Congress must preserve the tax-law protection of nonpartisanship and reject any changes to the Johnson Amendment.

# Nonpartisanship

## Weakening legislation HR 781 / S 264 (Scalise, Hice / Lankford)

- **General:** As with 501(c)(4) orgs after *Citizens United*, any loosening will breed abuse.
- **Bill Text Challenges:**
  - “ordinary course of the organization’s regular and customary activities”
  - “incurring not more than *de minimis* incremental expenses”

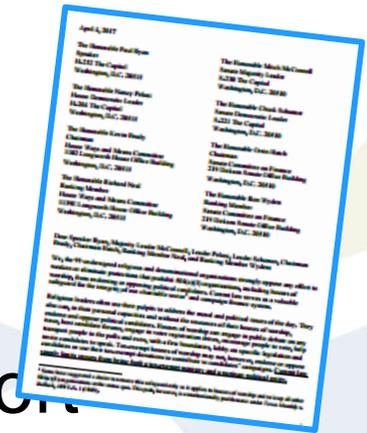
# Nonpartisanship

## Partial List of Likely Abuses:

- Intermingling of purposes of charitable donations
- Donors “buying” endorsements from charitable nonprofits for favored candidates.
- Pressure on nonprofits when foundations endorse candidates and let donees know ...
- Board turmoil when members or donors insist on endorsement of family members, business colleagues, friends. Politics supplant mission!

# Nonpartisanship

- **501(c)(3) community is united**
  - Faith Community is united
    - 99+ denominations, orders
    - No known denomination support
    - Evangelical poll – 89% oppose
  - Nonprofits and foundations are united
    - 5,400+ Community Letter in Support of Nonpartisanship



# Other Key Federal Issues

- Congress
  - DACA
  - Budget Appropriations
  - Health Care Reform
- Administrative
  - Dept. of Labor overtime rules
  - OMB Uniform Guidance for grants and contracts
- Resources
  - [www.Coloradononprofits.org/advocacy](http://www.Coloradononprofits.org/advocacy)
  - National Council of Nonprofits-  
[www.councilofnonprofits.org/trends-and-policy-issues](http://www.councilofnonprofits.org/trends-and-policy-issues)

# **SB17-287- Endowment Tax Credit**

- Increase giving to funds for investment purposes
- Increase opportunity for nonprofit long-term financial sustainability.
- Add to the “buffet” of charitable giving incentives for donors
- Raise public awareness of longer-term giving options including planned giving

# SB17-287- Endowment Tax Credit

- State income tax credit for individual donations to “eligible funds” of nonprofits and foundations
- Subject to the Uniform Prudent Management of Institutional Funds Act (C.R.S. 15-1-1101 to 1110)
- “Endowment funds” that, under the terms of a gift instrument, are not wholly expendable on a current basis

# SB17-287

## *How it Works*



Money



Property



Securities

To investment funds

- held by a nonprofit organization
- held by a community foundation
- held by a community foundation on behalf of a nonprofit

# SB17-287

## Eligible Fund

- Can't be wholly spent on a current basis.
- Subject to donor or board restrictions.



# SB17-287

- Tax years 2018-2022
- Credit amount is 25% of the amount of the gift
- Maximum credit is \$25,000
- Credit is not refundable- donor must have tax liability
- Credit may be carried forward up to five years

# SB17-287

## *How it helps nonprofits make a lasting impact on the community!*

Attracts gifts to investment funds. Donors are more accustomed to making gifts that are immediately spent on programs.

Supports communities by increasing resources available over the long term for foundations' grants and nonprofits' services.

Helps nonprofits invest, sustain, and grow their assets over time.



# Endowment Tax Credit

## Republican view

- Smaller government
- Individual choice
- Local control
- Favored causes
- Disfavored causes

## Democratic view

- Direct appropriations
- Public services publicly funded
- Community Building
- Favored causes

**Policy balance:** individual choices to invest in favored causes, and these private choices fund organizations that provide or directly support publicly funded services

- \$12 million reduction of general fund revenue, but \$48 million in additional donations
- Passed Senate 24-11, bi-partisan votes
- Passed House Finance 9-2
- Failed second to last night of session
- Challenge ahead: convince House Leadership

Becoming a Trusted Source:

It's all about  
Relationships

# Why Relationships are Important

- You will become a trusted resource
  - *You want them to call you, not just call you back*
- You will build trust and credibility
  - *Don't ask a stranger for a favor*
- They will both listen and hear what you say
  - *Silence is acquiescence*
- You can work together to solve problems



# How Elected Officials Decide

- Life experience
- World view
- Personal knowledge of the issue
- Information from a trusted source
- Community opinion leaders
- Views of their constituents
- Gut feeling of what's right



# Learn About Your Elected Officials

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

## And the Cycles of Their Process

- Procedure for a bill to become a law
- Budget timeline and input process
- Opportunities for public comment at meetings

# Importance of Relationships



Source: Pinterest

# Becoming a Trusted Source

## **Educate elected officials about what you do**

- Invite them to visit your nonprofit
- Meet them where they are
  - Individual appointments
  - Public comment times at meetings
- Invite them to your special events
- Send them your newsletter

# Becoming a Trusted Source

Provide opportunities for Elected Officials to expand their own networks and talk about their priorities

- Meeting your board, volunteers, donors, constituents
- “Meet and greet” with your network
- Forum on your issues

# Using Relationships to Communicate

- Strategically select a spokesperson
- Make your “ask” direct and succinct
- Activate network connections
  - Content is more important than volume
  - Show breadth and depth of your supporters, genuinely and respectfully

# Messaging tips



- Give local facts
  - District, city, neighborhood
- Share personal stories
  - Bring a client or person impacted
  - Anecdotes, quotes, testimony, etc.
- Quantify impact
  - Give scope and significance to the issue
  - Who is for or against this policy and why

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

Nonprofits can't support or oppose candidates for elected public office

Nonprofits can lobby but limited to either:

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



# “Insubstantial Part” vs. “Expenditure” 501(h)

## *Insubstantial Part Limit*

- Activity-based
  - Time + expenditures
- Lobbying must be insubstantial, which is not defined
- Depends on 990-reported facts and circumstances

## *Expenditure Limit*

- Expenditure-based
  - Paid time + expenditures
- Lobbying must be less than set % of total expenditures
- Depends on 990-reported budget size

# 501(h) election

<b>Budget size</b>	<b>Total annual expenditures that may be spent on lobbying.</b>
Up to \$500,000	\$100,000 (20%)
\$500,000 to \$1,000,000	\$100,000 + 15% of expenditures over \$500,000.
\$1,000,000 to \$1,500,000	\$175,000 + 10% of expenditures over \$1,000,000.
\$1,500,000 to \$17,000,000	\$225,000 + 5% of expenditures over \$1,500,000.
Over \$17,000,000	\$1,000,000

## Direct Lobbying

- Communication to a legislator, staffer, or govt. employee to influence legislation
- Refers to specific legislation (bill, ballot measure)
- Reflects a view on legislation

## Grassroots Lobbying

- Communication encouraging public to contact and influence legislators
- Refers to specific legislation
- Reflects a view on legislation
- Call to action

# What is NOT Lobbying?

- Discussion of broad social issues without to specific legislation
- Results of analysis or research on a legislative with facts presented fully and fairly.
- Responding to written requests from a body (not an individual legislator).

# What is NOT Lobbying?

- Distributing materials to your members legislation with no call to action.
- “Self defense”—Actions responding to threatening the existence or livelihood of an organization
- Testifying at the request of a legislative body.

# Lobbying Resources

- National Council of Nonprofits  
<http://www.councilofnonprofits.org/nonprofit-advocacy/power-information>
- Alliance for Justice  
[Bolderadvocacy.org](http://Bolderadvocacy.org)
- Nonprofit Voter Engagement Network  
([www.nonprofitvote.org](http://www.nonprofitvote.org))
- Colorado Nonprofit Association
  - Speak for Yourself toolkit

# Nonprofits of Influence

- Community-wide networks
- Silence is acquiescence
- Levers
- Relationships
- Our cause is just

Renny Fagan

Colorado Nonprofit Association

[rfagan@coloradononprofits.org](mailto:rfagan@coloradononprofits.org)

789 Sherman Street, Suite 240

Denver, CO 80203

[www.coloradononprofits.org](http://www.coloradononprofits.org)