

Friday, July 16, 2010

The latest edition of the ACR newsletter is available below or online.

Washington Roundup

Back from their week-long Fourth of July recess, Congress has only two more short weeks to wrap up any outstanding items they want to accomplish before the month-long August recess. There are more than a few open-items left to consider before this break, and ACR will keep you posted on what happens.

JUST ADDED: Congressional Hearing on Charitable Efforts in Gulf Coast

On Tuesday, July 20th, the House Ways and Means Oversight Subcommittee (the Subcommittee with jurisdiction over the nonprofit community) will hold a [hearing](#) on the need for charitable efforts in response to the Gulf Coast oil spill. Specifically, the hearing will focus on the growing needs of the Gulf Coast community and how donors can help fill some of those needs. Chairman John Lewis (D-GA) noted in the announcement, "This hearing will provide us with a sense of what needs to be done and how the charitable sector and others can reach out to these communities and help."

You can watch the hearing live at 10:00am EST on the Ways and Means Committee website [here](#). ACR will provide you with a summary of the key highlights of the hearing in our next newsletter (on July 30th).

New Senator Named

On June 28th [Robert Byrd \(D-WV\)](#) died leaving a void in the Senate with many items "on-hold" until the announcement of his replacement, which just occurred today.

Byrd, the longest-serving Senator, will be replaced by the youngest Senator in the Congress when West Virginia Governor Joe Manchin appoints Carte Goodwin to fill Byrd's vacant seat. Goodwin, 36, served as Governor Manchin's general counsel from 2005-2009 and reportedly is not expected to seek election to the seat after serving out his interim term. Governor Manchin is expected to make an official announcement this afternoon.

Wall Street Reform Bill – ACR Secures Exemption for Some Nonprofit Activities

Last minute negotiations, subsequent changes, and the passing of Senator Robert Byrd temporarily delayed the final passage of financial reform legislation – the Wall Street Reform bill. [As you may recall](#), ACR and other groups in the charitable community worked hard to include important provisions in this legislation to ensure that most nonprofits that offer charity giving advice and group financial education can continue to do so, free from regulation, fees and

oversight. These [efforts](#) have paid off greatly for the nonprofit community, ensuring that these provisions have remained in the bill throughout this process.

The House of Representatives passed the final version of this bill (H.R. 4173) on June 30th, with the Senate passing the bill (S. 3217) just yesterday. The bill is expected to be signed by the President next week.

ACR would like to thank all of our friends and allies for providing us with your concrete examples about this bill's potential impact on your programs and grantees. These examples, coupled with ACR and other community advocacy efforts resulted in a big win for the nonprofit community.

Estate tax

After a brief respite, Senators Blanche Lincoln (D-AR) and Jon Kyl (R-AZ) [announced](#) on Wednesday (July 14th) that they have renewed their work on an estate tax compromise proposal. The proposal, which the Senators are trying to marry with small business tax legislation (H.R. 5297) currently under consideration by the Senate, would permanently set the estate tax rate at 35%, with a \$5 million exemption (phased-in over ten years). The estate tax rate is 0% this year, but will reset to 55% (with a \$1 million exemption) for 2011.

While the [Lincoln-Kyl provision](#) is not expected to be attached to the small business tax bill, it nonetheless raises the prominence of this issue again. Their proposal is not paid for and going forward, it is unclear how this issue of payfors will impact their provision. ACR is working to ensure that foundations are not targeted to pay for estate tax fixes.

More discussion can be found in this week's Consider This...

Tax Extenders

As previously [reported](#), the Senate has had significant difficulty in passing a tax bill that extends previously expired tax provisions, including the IRA charitable rollover benefit. As of our last report there is still no clear pathway forward for passing this legislation.

Earlier this week, Senate Majority Leader Harry Reid (D-NV) said he plans to restart negotiations once again, possibly as early as next week. The timing may hinge on Senator Robert Byrd's successor being sworn-in, which could provide the crucial 60th vote. We will continue to keep you posted of any movement on this issue.

In the States

Hawaii Governor Says "No" to Limiting the Charitable Deduction

We have been reporting on state efforts across the country to fill budget shortfalls through measures that could impact the charitable community.

Recently, Governor Linda Lingle of Hawaii [pushed back](#) against an effort in her state by vetoing House Bill 1907. The measure would have resulted in tax increases totaling more than \$140 million over the next five years by capping itemized deductions for higher income individuals including deductions for medical expenses, mortgage interest and charitable contributions. Lingle agreed with the non-profit community's concerns that "their ability to raise funds through donations and charitable giving would be adversely affected."

In New York, a vote is still pending in the state Senate on similar legislation to cap the charitable

deduction ([S. 6610-B/A 9710C](#)). Since our last update, the bill passed the Assembly and Senate action could occur at any time.

ACR continues to be active on this issue in New York. More than twenty other major nonprofit organizations have joined the coalition with the United Way of New York, the New York State Catholic Conference, the United Jewish Appeal-Federation, and The Philanthropy Roundtable. Stay tuned for more updates and visit our website for [our work and news coverage](#) of this issue.

Consider This...

A Canary in the Coal Mine – Capping the Charitable Deduction

Unlike the federal government, every state except Vermont has some form of balanced budget requirement. What does this mean in practical terms for the future of philanthropy?

We all know that the economy has not been kind to state and federal budgets. At the federal level, the government has responded by pumping money into the economy, in the hopes of jumpstarting economic growth and in the process running up enormous deficits. But balanced budget requirements at the state level won't allow that and as a result, states are in the hunt for revenue with a vengeance.

We have already seen some serious activity in states to lessen incentives for charitable giving. As noted above, the Hawaii legislature passed legislation ([H.B. 1907](#)) to cap the itemized deduction for higher income individuals, but happily, Republican Governor Linda Lingle [refused](#), saying that "Our community is still feeling the impacts of the recession and this is the time when we want to encourage donations to charitable organizations, not enact laws that hinder them."

And in New York, the Assembly has approved cutting the charitable deduction in half for high income individuals as part of a revenue raising package. As of press time, the New York State Senate had not approved that package and indeed they appear headed toward a standstill on the revenue bill. Mayor Bloomberg, when asked about the proposal, said it was "as crazy as that hedge fund thing", referring to the revenue proposal to tax people who work for hedge funds in the state but live elsewhere. We are working to defeat the charitable deduction measure in New York and will keep you posted on our [efforts](#).

Like the canary in the coal mine, what we see at the state level are likely the early signs of what we ultimately see at the federal level as the caucus of "[No New Debt Democrats](#)" continues to grow.

Keep an eye on the states. We believe their increasingly far-flung efforts to raise money are the shape of things to come at the federal level.

Making Headlines

Here are recent headlines you may find interesting:

Federal

The impact of no estate tax in 2010 resonates with the government, which is not collecting those tax revenues, and with estate planners and families who may be including tax considerations when

making end-of-life decisions for ailing family members.

- 7/10 Too Rich to Live?, Wall Street Journal
http://online.wsj.com/article/SB10001424052748703609004575355572928371574.html?mod=djemTEW_h
- 7/12 How Steinbrenner Saved His Heirs a \$600 Million Tax Bill, Wall Street Journal
<http://blogs.wsj.com/metropolis/2010/07/13/how-steinbrenner-saved-his-heirs-a-600-million-tax-bill/>

7/4 Companies Find Ways to Bypass Ban on Earmarks New York Times

http://www.nytimes.com/2010/07/05/us/politics/05 earmarks.html?_r=1

The New York Times reports that due to a recent ban by the House of Representatives on all earmarks to for-profit companies, companies are beginning to set up nonprofit entities to try and secure federal funding.

States

As reported above there are state efforts to lower the charitable deduction as revenue-raisers in New York and Hawaii:

- 7/12 Memo to NY lawmakers: Hawaii governor vetoes cap on charitable deduction, Philanthropy Daily
<http://www.philanthropydaily.com/?p=2939>
- 7/7 NY Plan to Cut Wealth Tax Break Worries Charities, Reuters
<http://www.alertnet.org/thenews/newsdesk/N06246775.htm>
- 7/6 Charities Balk at Budget Bill, Crain's New York Business
<http://www.craigslist.com/article/20100706/INS/100709952>
- 7/5 Rich Man, Poorer Man: Albany's Plans to Soak the Wealthy Will Backfire, New York Daily News
http://www.nydailynews.com/opinions/2010/07/05/2010-07-05_rich_man_poorer_man.html
- 7/1 Governor Lingle Vetoes Bills that Discourage Investments, Charitable Contributions
<http://hawaii.gov/gov/news/releases/2010-news-releases/governor-lingle-vetoes-bills-that-discourage-investments-charitable-contributions>
<http://hawaii.gov/gov/leg/2010-legislative-session/bills/vetoes/HB1907%20SOBJ.pdf>

Commentary

7/11 Florida's New Foundation Law Protects Donor Intent, Chronicle of Philanthropy

<http://philanthropy.com/article/Florida-s-New-Foundation-Law/66184/>

Sue Santa sends a letter to the editor from The Philanthropy Roundtable pushing back on Emmett Carson's op-ed (below) criticism of Florida legislation (SB 998) to protect philanthropic freedom.

- 6/11 Opinion: New Fla. Law Makes It Harder for Foundations to Live Up To Values,

Chronicle of Philanthropy

<http://philanthropy.com/article/Florida-Law-Makes-It-Hard-f/65856/>

7/11 Defending Giving USA's Record of Accuracy, Chronicle of Philanthropy

<http://philanthropy.com/article/Giving-USA-s-Tally-Debating/66176/>

In a letter to the editor, Giving USA's president and chairman defends the organization's Giving USA 2009 findings against a report by the Chronicle that he thinks may create "unnecessary confusion among readers".

The Giving Pledge, the campaign by Bill and Melinda Gates and Warren Buffett to encourage the world's wealthiest to donate at least half of their assets to charity, continues to garner headlines.

- o 7/11 Billionaires Urged to Unlock Their Vaults for Charity, Chronicle of Philanthropy
<http://philanthropy.com/article/A-Plea-for-Greater-Giving/66195/>
- o 7/11 Bill Gates Speaks on 'Smarter' Giving and Philanthropy's Most Exclusive Club, Chronicle of Philanthropy
<http://philanthropy.com/article/headline/66198>
- o 7/11 Why the Gates/Buffett Giving Pledge Matters, Chronicle of Philanthropy
<http://philanthropy.com/article/GatesBuffett-Why-Their/66181/>

Reports/Studies

6/28 Small to Mid-Size Foundations Exceed Minimum Distribution Requirements

<http://www.foundationsource.com/content/small-mid-size-foundations-exceed-minimum-distribution-requirements-large-margin>

Foundation Source has published a survey of foundation giving in 2009 finding that, among their clients, most gave more than the required 5% payout rate.

Other

7/15 Foundation Gives Hand to Holocaust Survivors, Wall Street Journal

http://online.wsj.com/article/SB10001424052748703394204575367460404843700.html?mod=googlenews_wsj

Wall Street Journal profiles Donn Weinberg, president of Harry & Weinberg Foundation and board member of The Philanthropy Roundtable, which has the unique mission of funding for Holocaust survivors.

7/12 Group Aims to Add Transparency to China's Charities, Wall Street Journal

<http://blogs.wsj.com/chinarealtime/2010/07/12/group-aims-to-add-transparency-to-chinas-charities/?KEYWORDS=philanthropy>

Wall Street Journal reports that the Foundation Center's model for capturing donor information is being adopted worldwide starting with the launch last week of the China Foundation Center, a new organization that aims to help increase the transparency of Chinese charitable groups.

7/5 Tax-Exempt Funds Aid Settlements in West Bank, New York Times

http://www.nytimes.com/2010/07/06/world/middleeast/06settle.html?_r=1&pagewanted=all

New York Times reports on the tension between charitable giving and federal foreign policies as U.S. nonprofit groups using tax-exempt donations to help Jews establish permanence in the Israeli-occupied territories.

7/6 New donors emerge in developing countries, Christian Science Monitor

<http://www.csmonitor.com/Money/2010/0706/New-donors-emerge-in-developing-countriesnew>

The Monitor reports on the spread of international charitable giving as a result of rapid wealth creation.

The Chronicle of Philanthropy 's annual survey of donor advised finds positive results:

- o 7/11 After 2 Years of Tough Losses, Donor-Advised Funds Are Surging, Chronicle of Philanthropy
<http://philanthropy.com/article/A-Surge-in-Donor-Advised-Funds/66183/>
- o 7/11 Charities Can Expect More Money to Flow From Donor-Advised Funds, Chronicle of Philanthropy
<http://philanthropy.com/article/Donor-Advised-Funds-Poised-for/66188/>

REGISTER NOW

2010 Philanthropy Roundtable Annual Meeting

Explore, Dream, Discover: The Power of Philanthropy

October 14-16 ~ Amelia Island, Florida

Peter H. Diamandis, chairman and CEO, X Prize Foundation

John Fisher, Doris & Donald Fisher Fund

Karen Mathis, president and CEO, Big Brothers Big Sisters of America

Robert J. Mazzuca, chief scout executive, Boy Scouts of America

Early registration deadline approaching: **July 30**

Register now (www.philanthropyroundtable.org)