

Friday, October 8, 2010

The latest edition of the ACR newsletter is available below or online at www.acreform.com.

Washington Roundup

"Lame Duck" Session

Congress left Washington last week for election campaigning, leaving behind a heavy agenda for when they return which may be for 2 lame duck sessions after the November 2nd elections. We expect the House and Senate to reconvene on November 15 - 19 and then possibly December 6 - 17. Before leaving town for the elections, Congress passed a [Continuing Resolution](#), which maintains funding for the Federal Government through December 3rd. It will have to address funding the government beyond this date during the November lame duck session.

Congress also left a lot of unfinished business in the tax area: the estate tax, the Bush expiring tax cuts for individuals, and an expired package of extenders (including the IRA charitable rollover). Depending on the results of the election and whether cooler heads prevail, we expect at least some effort to address these issues.

Deficit Commission Report

In addition to Congress's return, we are awaiting the release of the National Commission on Fiscal Responsibility and Reform's report. Commonly referred to as the [Deficit Commission](#), this group was formed by President Obama and tasked with identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run. They are scheduled to release a report containing a set of recommendations by December 1st, but 14 of 18 members of the Commission must vote to release their findings. Given the nature of the panel's membership, finding a consensus among 14 of the 18 members on substantive recommendations will be difficult. If released, Senate Majority Leader Harry Reid (D-NV) has pledged to schedule a vote on the recommendations and should the Senate pass the measure, House Speaker Nancy Pelosi (D-CA) will follow.

Should consensus prove elusive, we expect the recommendations that have bipartisan appeal will be considered next year by the new Congress, which is expected to hold regular hearings on the economy and unemployment.

Excise Tax

As we [reported](#) in June, Senator Charles Schumer (D-NY) introduced a bill, [S. 676](#), to change the private foundation excise tax rate to a flat rate of 1.39%. Identical legislation (H.R. 4090) has also been introduced by Congressman Danny Davis (D-IL), in the House. Senator Schumer intended to

offer his bill as an amendment to tax legislation that was then pending on the Senate floor. He did not prevail, due in part to strong objections from the Senate Finance Committee's Ranking Member, Chuck Grassley (R-IA).

To bolster support for Sen. Schumer's bill moving forward, the Council on Foundations (COF) circulated a letter urging Congress to pass the flat rate excise tax legislation in September. The letter was sent to Members of Congress on September 20th, signed by more than 200 private foundations and regional associations across the country representing 42 states (including the District of Columbia). If you would like more information on the Council's efforts in support of this bill, read the [press release](#) and the letter can be found [here](#).

Despite this effort, chances are remote that Congress will pass this bill this year given the objections by Senator Grassley as well as the political headwinds that any tax legislation has in an election year. We expect Senator Schumer and Congressman Davis will reintroduce their bills next year.

Consider This...

PILOTS: Landing in a town near you?

Here's a trend to be worried about -- in the search for revenue to fill budget holes, many towns, large and small are getting creative. They are taking a second look at land owned by non-profit institutions which don't pay property taxes.

In order to get around state laws exempting these properties, city and town officials are asking for payments in lieu of taxes (PILOTS) from nonprofits. Others are asking for service fees for sewer management, fire and police protection and even street lamps.

The focus thus far has been largely on tax-exempt hospital and university land. Late last year, the Mayor of Pittsburgh [announced](#) that unless the non-profits in his city paid \$25 million over five years, he would pursue a one percent tuition tax on Pittsburgh college students. While that proposal was beaten back by student groups, it did give new life to a state legislative proposal to allow municipalities to tax non-profits. That legislation has yet to pass, but we expect to see more, not fewer of these efforts at the state and local level.

And how are non-profits responding? Some are pointing out the services they provide help the very people that are being hurt by this economy. To hamper those efforts through tax and service fees just doesn't make sense.

Other tax-exempts are working proactively to enhance their relationships with their communities. Hamilton College in upstate Clinton, New York, gave their local fire department [a new ladder truck](#), to replace the 23 year old one. Clinton's Mayor said, "Our community has a great relationship with Hamilton College. A contribution of this magnitude demonstrates the superb partnership that the college has with the village and the entire Fire District." [Boston University paid Boston](#) \$4.9 million in lieu of taxes and an additional \$3.4 million in property it could have excluded from tax.

Cooperation and negotiation on these matters appears to yield a better solution. Wielding a pick axe is not the answer. That said, we expect more such heavy handed efforts if the economy does not improve.

Special Event – 2010 Annual Meeting

Explore. Dream. Discover. The Power of Philanthropy

Next week, from October 14 -16, the Philanthropy Roundtable will convene its 2010 Annual Meeting in Amelia Island, Florida. Hundreds of donors from across the country will gather to hear from America's leading program experts on creative solutions to intractable problems from education to science to policy.

ACR will have a strong presence at the Annual Meeting offering a number of sessions devoted to public policy and philanthropic freedom. Sessions include:

- [Creating Sanctuary States for Philanthropic Freedom](#) - An exploration of the threats donors face at the state level and ACR's efforts to work with the philanthropic and public policy communities to protect philanthropic freedom and encourage private charity.
- [Right, Left, and Center: Why They Each Have a Stake in Philanthropic Freedom](#) - A discussion with three leading thinkers on why the preservation of philanthropic freedom transcends ideology and party.
- [The Congressional Outlook for Philanthropy in 2011](#) - An examination by Congressional and policy experts of the implications of the upcoming November elections and other pending items on Congresses agenda for the nonprofit sector—and philanthropic freedom.
- [Private Foundations and Transparency: What is Healthy for Our Sector?](#) A discussion of the fundamental questions donors should consider when they hear calls for transparency.

Stay tuned for the next edition of the newsletter where we will recap events. Also, check our website at acreform.com for full conference updates.

Making Headlines

Here are recent headlines you may find interesting:

Federal

10/3 Small Charities Face October Deadline on Tax Status, Chronicle of Philanthropy

<http://philanthropy.com/article/Small-Charities-Risk-Losing/124685>

October 15 is the final deadline for charities to file with the IRS. Tens of thousands of small charities are expected to lose their exempt-status resulting in potentially costly consequences for nonprofits.

9/27 Foundations and Regional Associations Urge Congress to Enact Excise Tax Legislation, COF Policy Update

<http://www.cof.org/templates/311.cfm?ItemNumber=17820&navItemNumber=16117#legislation>

An update on the Council's position and action on the excise tax.

9/24 Bush Tax Cuts: Democrats Punt Until After Midterm Elections, Christian Science Monitor

<http://www.csmonitor.com/USA/Politics/2010/0924/Bush-tax-cuts-Democrats-punt-until-after-midterm-elections>

The Monitor reports on Democratic and House leadership's decision to hold a vote on tax cuts until after the November elections citing failure to reach agreement with House Republicans as the main hindrance.

9/19 The Estate Tax is Foolish, Wasteful, Ineffective, Tax Foundation Blog

<http://www.taxfoundation.org/press/show/26725.html>

In an op-ed William Ahern discusses the merits of economist J.D. Foster's recent paper calling for a

permanent repeal of the estate tax.

State

9/11 State Tax Revenues Are Slowly Rebounding, Rockefeller Institute of Government in Albany
http://www.rockinst.org/pdf/government_finance/state_revenue_report/2010-08-30-State_Revenue_Flash.pdf

According to a new report from the Rockefeller Institute of Government tax revenues at the state level are rebounding across the country, with a second consecutive quarter of growth in the period that ended June 30.

Other

9/30 Forget Superman, Charter Schools are Waiting for Oprah, Forbes

http://money.cnn.com/2010/09/30/news/economy/waiting_for_superman.fortune/index.htm

Forbes reports that the new documentary "Waiting for Superman" has sparked a giving trend for charter school systems across the country by individual donors and private foundations.

9/24 Congregations Reeling From Decline in Donations, New York Times

<http://www.nytimes.com/2010/09/25/us/25religion.html>

Religious institutions across the spectrum are experiencing a sharp decline in revenue that seems only partly to blame by the economic downturn. Some speculate that the affects of a shift in generational giving since prior to the recession are now beginning to be felt.

Giving Pledge - International

Bill Gates and Warren Buffett held their much-anticipated dinner with many of China's wealthiest. Theories explaining China's lack of charitable impulse continue to emerge from across the globe, while Gates and Buffett turn their attention to the next set of potential international givers.

- o 9/30 Gates, Buffett Say China Charity Meeting a Success, Washington Post

http://www.nytimes.com/2010/10/01/world/asia/01china.html?_r=1&src=mv

- o 9/30 Corporate Philanthropy Will Grow in India, Forbes India

<http://business.in.com/article/web-special/corpo-rate-philanthropy-will-grow-in-india/17912/1>

- o 9/28 China's Charitable Past, New York Times

<http://www.nytimes.com/2010/09/29/opinion/29iht-edfuller.html?emc=tnt&tntemail1=y>

Studies/Reports

10/6 As Government Money Dwindles, Human-Service Groups Cut Back Assistance to the Needy, Chronicle of Philanthropy

http://philanthropy.com/article/Government-Cuts-Force-Many/124842/?sid=&utm_source=&utm_medium=en

Study: <http://www.urban.org/nonprofitcontracting.cfm>

A new report from the Urban Institute finds that many human-service groups are cutting services to the needy in the face of widespread cuts in government support.

9/29 Wealthy Blacks Give Most Donations to Education and Religious Groups, Study Finds, Chronicle of Philanthropy

<http://philanthropy.com/article/Affluent-Blacks-Differ-in-G/124654/>

Study:

http://www.northerntrust.com/pws/jsp/display2.jsp?TYPE=interior&XML=pages/nt/0902/1233935574900_887.xml

A new study conducted by Northern Trust reports findings on the giving habits of wealthy black Americans. They are more likely to donate to educational institutions, religious organizations, and human-services groups than other affluent people and gave comparatively less to health groups and to environmental and animal-welfare organizations than other affluent people but about the same to arts and culture groups and slightly more to international organizations than non-blacks.

Alliance for Charitable Reform is a project of The Philanthropy Roundtable.
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