

**Future of the Charitable Deduction
Amplifying West Virginia's Foundation and Nonprofit Community's Voice
Summary of Teleconference Call
December 18, 2012**

Hosts:

- Becky Ceperley, GKVCF – Chair of WV Grantmakers Policy Committee
- Paul Daugherty, WV Grantmakers
- Laura Lee Haddad, WVNPA

Guest Speakers:

- David Thompson, National Council of Nonprofits
- Will Heaton, Council on Foundations

Becky Ceperley welcomed the eighteen attendees reminding all that the issue facing us with the proposed spending cuts, cap on charitable deductions and arbitrary cuts – what is called the fiscal cliff – is critically important to the communities we serve and needs our immediate attention.

David Thompson, VP of Public Policy - National Council of Nonprofits

David Thompson gave an overview of the fiscal cliff and where we stand as of today.

- If the President and Congress don't reach a deal on the fiscal cliff, \$600 billion will be taken out of the economy and economists agree a recession will result.
- Charitable nonprofits are concerned about the Twin Threats of the fiscal cliff:
 - Sequestration:
 - If Congress fails to act before January 2, 2013, automatic spending cuts will further reduce funding for almost every domestic program – without reducing the underlying human needs – thereby increasing demands on nonprofits in local communities while also decreasing resources for nonprofits to provide needed services. After five years of dealing with higher demands for assistance despite declining resources, charitable nonprofits are already severely depleted from serving so many more for so much longer with so much less.
 - These additional cuts of \$54.6 billion – slashing more than 8 percent across-the-board from domestic programs funded by the federal government – will touch virtually every person and every community in America, taking away huge amounts of funding for everything from infants to seniors and food safety to safe transportation. The cuts will occur not on an informed, considered, priority basis, but arbitrarily and across-the-board, using simple math without regard to human consequences.
 - If the President and Congress can reach a deal, then the automatic cuts will likely be postponed or cancelled.
 - Tax Reform:
 - Until this week, the false choices being presented to the nonprofit community were between a fixed-dollar cap on itemized deductions offered by Governor Romney during the campaign and the President's proposal to limit the value of itemized deductions to 28% (rather than the current top tax rate of 35%) for upper-income taxpayers. Congress has expressly rejected or ignored this proposal in the six times it has been put forward since February 2009. Nonprofits have taken the position that neither option is acceptable.

- In recent negotiations with Speaker Boehner, President Obama made a counter offer in the fiscal cliff negotiations last night that, among other things, alters his proposal to limit the value of itemized deductions. For most deductions, the 28 percent limit would be imposed (even if the taxpayer paid a higher tax rate). The new offer would limit charitable deductions at 35 percent, the current highest tax rate, but lower than the 39.6 percent top rate that the President is intending to apply to upper-income taxpayers. Speaker Boehner expressly rejected the entire package offered by the President, but the preferential treatment for charitable giving presumably could return in future proposals.
- The new approach clearly is progress that demonstrates that the voice of charitable nonprofits is being heard. Our view is that we cannot relax on something this vital and should continue communicating with policymakers. We believe that this is the best moment to send a loud consistent message to the main negotiators to not tamper with charitable giving. Let's take this off the table for good so charities can get back to focusing on delivering their missions without fear of further governmental hurdles.

Will Heaton, Chief of Staff – Council on Foundations

Will Heaton agreed with David's overview and reiterated some key points:

- Nothing is final at this stage of negotiations even with a proposal on the table
- Outreach from the nonprofit sector to White House and congress has been very effective and we need to continue our efforts
- We need to educate our lawmakers on why this is important to nonprofits:
 - * For every \$1 donated to nonprofits, \$3 is the return on programs and economic reinvestment into the community
 - * Charitable deductions do not benefit the wealthy, they benefit those we serve
- Hope to wrap up negotiations within the next 1-2 weeks with a final vote shortly after Christmas. However, even if the charitable deduction is preserved, it is not forever. It will surface again and we need to continue reinforcing the importance of this issue. We need to come together in one unified voice – nonprofits and foundations – to raise awareness of the importance of our work and the roles we play in our community. We need to share our stories.

Q: We heard from Senator Rockefeller's staff last week that the negotiations are focused on tax rates. We might have dodged a bullet this time but with nonprofits as a target, can we expect to see this issue come up again at a later date?

A: (W. Heaton) We've not dodged a bullet but given a pass. Nonprofits will have to continue to make their case in order to prevent any limitations on charitable deductions.

(D. Thompson) Nonprofit lobbying has been effective and we're overcoming many misperceptions, but a new congress is coming in Jan. 1 so we will need to continue the education by continuing to tell our stories.

Q: We're getting calls from donors about IRA rollovers. ; want to do it. Will it be applicable/recreated?

A: (W. Heaton) I will check with our legal team to see if the 1 year extension will be a part of negotiations and get back to Paul with the answer.

(D. Thompson) President's proposal included making certain extenders permanent, but I don't know if The IRA rollover is included in the list.

West Virginia Statistics

Paul Daugherty reviewed some of the statistics from the attachment provided to attendees titled *Charitable Giving in West Virginia*. He noted West Virginia's low ranking for charitable giving and for the number of grantmaking foundations based on foundation assets held in the state and grants received. Now more than ever, West Virginia needs to rely on the charitable giving of private individuals and we must ensure that we are not negatively impacted with discussions to cap or alter charitable deductions. To receive a copy of this report, email Paul Daugherty at info@wvgrantmakers.org.

Recent Congressional visits

Representatives of WV Grantmakers and WVNPA met with staff of Senator Rockefeller and Senator Manchin on December 5th on behalf of nonprofits and foundations stating our concern about the proposed cap on charitable deductions. WV Grantmakers has had ongoing discussions with not only both of West Virginia's US Senators, but also all three members of the US House of Representatives. Letters have been sent from WV Grantmakers to each member of the Congressional Delegation and we encourage other nonprofit organizations and foundations across the state to do the same.

Call to Action

Here are three steps to take to share your concern with West Virginia's Congressional Delegation:

1. Send letters and/or emails to your US House of Representatives Member and West Virginia's Two US Senators. Sample letters and emails (Congressional Letter Template – WV format) will be sent to you via email.
2. Call your Congressional Office and/or White House. WV Congressional Delegation Contact Information will be sent to you via email.
3. Share stories of your nonprofit and/or foundation's impact that improves quality of life in West Virginia and reduces the burden on government. Sample talking points and sharing your story outline (Talking Points & Telling Your Story) will be sent to you via email.

With the busy time of year, it was stressed that if people can only send just a few letters/emails or place phone calls that reaching out to Senator Rockefeller is important as he is a ranking member of the US Senate Finance Committee. Also, it is important that we continue to share the stories and work of West Virginia's nonprofit organizations and foundations not just right now, but on an ongoing basis.

Attendees were thanked for being a part of the call today and alerted to the work ahead in sharing our voice, our stories, and the importance of our work in bettering our communities.