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Federal

A Call for Reason and Courage

Abortion, Guns, and Insurrection

Washington, DC is fraught; the mood is tense. The U.S. Supreme Court, just east of the Capitol building, is surrounded by security fencing in advance of a decision any time this month that, according to a leaked draft opinion, likely will overrule the 49-year old abortion-rights decision in *Roe v. Wade*. Persistent gun violence, particularly targeting children, has led to rising hope that newly announced compromise legislation can limit access; yet in response to that hope Second Amendment rhetoric is becoming more aggressive. And on top of those extremely divisive issues, the House Select Committee to Investigate the January 6 Attack on the Capitol is holding a series of hearings to inform the public of its conclusion that former President Trump is responsible for the insurrection. Any one of these serious subjects – abortion, guns, or insurrection – could define the year and alter American history. Toss in hyper-partisan midterm elections to control an almost evenly divided Congress, and, well, it makes this a gross understatement: tensions and tempers are high while trust – in our institutions and in each other – is hard to find. However, these issues are resolved, charitable nonprofits have a vital role to play in calling for

reason and courage to demand the facts, while also serving as safe havens from the rancor of the day. Reason and courage.

The Results are In

Charitable Giving Data for 2020 Released

Since passage of the CARES Act in 2020, charitable nonprofits have sought data to demonstrate the impact and effectiveness of the universal (or non-itemizer) charitable deduction (UCD) in generating increased donations from taxpayers who claim the standard deduction on their tax forms. With the release by the IRS of [tax year 2020 individual tax return data](#), the true positive impact of the charitable giving incentive is undeniable. In 2020, 42.2 million taxpayers (29.4% of all individual tax returns) used the universal charitable deduction, a temporary tax incentive to promote charitable giving that expired last year. These taxpayers made a total of \$10.9 billion in contributions to charitable nonprofits in 2020. Nearly a quarter (24%) of those taking this non-itemizer deduction had adjusted gross income of less than \$30,000. The largest segment of taxpayers to take advantage of the UCD were those earning between \$50,000 and \$100,000 that is, 29% donating a total of \$3.2 billion.

The 2020 data also show that most individual tax returns (87.5%) claimed a standard deduction and itemized deductions were claimed on only 9.3% of all returns for 2020. Compared to 2019, the number of filers claiming the itemized charitable deduction fell by 12.1%, reflecting a longstanding trend of fewer people donating. These new data are important in understanding the impact of 2017 tax reforms, when Congress doubled the standard deduction and asserted that lower tax rates would generate greater charitable giving. A recent [American Enterprise Institute analysis](#) found that the 2017 tax law did not result in upper-income taxpayers donating more to the work of charitable organizations as promised; in fact, charitable giving went down after its enactment.

Worth Reading

- [Philanthropy and COVID-19: Examining two years of giving](#), Candid and the Center for Disaster Philanthropy, June 2022, presenting results from a study finding that U.S. foundations and other donors gave 31% less in COVID-specific

funding in 2021 compared to 2020.

- [US foundations decrease global COVID-19 giving despite ongoing needs](#), Stephanie Beasley, Devex, June 3, 2022.
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Federal *FastView*

- **ERTC Usage Rate Higher Than Expected:** The rate at which employers claimed the Employee Retention Tax Credit (ERTC) tripled from 2020 to 2021, according to a new [report from the Government Accountability Office](#). The significant increase in usage lays bare the false assumption made by Congress when it repealed the ERTC for the fourth quarter of 2021 in order to use the savings to partially fund the Bipartisan Infrastructure bill. Negotiators of that legislation relied on incomplete data to assert that the ERTC was underutilized by nonprofit and other employers, so it would not be missed. In fact, that repeal significantly hurt many nonprofits and for-profits, which is why a large coalition of nonprofits and small businesses is advocating for reinstatement of the ERTC, as explained in [recent letter to congressional leaders](#).
- **Business Mileage Rates Increasing:** Late last week, the Internal Revenue Service announced that for the final six months of the year (starting 7/1/2022), the [business mileage rate will rise](#) to 62.5 cents per mile, four cents higher than the previously approved rate. The IRS, however, did not adjust the volunteer mileage rate of 14 cents/mile because that rate is fixed in statute and has not changed since 1997, despite numerous efforts. The volunteer mileage rate is the amount that is tax-deductible when nonprofit volunteers drive on behalf of the organization. Pending legislation ([H.R. 7432](#)) would raise that rate to the business mileage rate for individuals who use their vehicles to deliver products or people on behalf of nonprofits.
- **IRS “Dirty Dozen” Tax Schemes List:** The IRS issued its annual list of a [dozen common tax scams and tax-avoidance schemes](#). On the list again are schemes to use charitable remainder annuity trusts (CRATs) to eliminate tax gain and abusive syndicated conservation easement deals, both of which can impugn charitable nonprofits. Also, several consumer-focused scams that prey on individuals or organizations and steal sensitive financial information or money are on the 2022 Dirty Dozen. In announcing this year’s list, IRS Commissioner Rettig said, “These tax avoidance strategies are promoted to unsuspecting folks with too-good-to-be-true promises of reducing taxes or

avoiding taxes altogether.” Continuing, he said, “Taxpayers should not kid themselves into believing they can hide income from the IRS. The agency continues to focus on these deals, and people who engage in them face steep civil penalties or criminal charges.”

- **Unemployment Insurance Program “At Risk”:** The Government Accountability Office (GAO) has added the federal Unemployment Insurance (UI) system to its [“High Risk List,”](#) which flags areas vulnerable for waste, fraud, and mismanagement, or the need of broad-based transformation. A [newly released GAO report](#) found multiple challenges in UI, including failing to provide customer service, timely processing of claims, and implementing new programs, as well as the need for modernization of technological systems. The unprecedented needs of UI due to the pandemic resulted in “serious challenges for states and a greater risk of improper payments, including those due to fraud,” stated the GAO press release. Estimated improper payments rose from \$8 billion in 2020 to \$78.1 billion in 2021, with identity theft cited as the main cause for the increase.
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Worth Quoting

- “[T]he Federal Pandemic Unemployment compensation ... supported Americans in a time of need, prevented a deep recession, and didn’t keep them from returning to work once it was safe and possible. State UI systems have been underfunded and undermaintained for far too long.... It’s unacceptable that applicants of color received benefits at lower rates, and there is no further data to understand these inequities or enforcement tools to hold states accountable.”

— House Ways and Means Committee Chair Neal (D-MA), in a [Statement on the Unemployment Insurance GAO Reports](#), June 7, 2022.

Worth Studying

- [Attention Nonprofit Employers: Did You Forget to Claim Refundable Tax Credits from the IRS?](#), Steven M. Woolf, National Council of Nonprofits, May 11, 2022, providing plain-English answers to questions from nonprofits about a complex tax topic.

Advancing Equity

Scoring Federal Legislation for Equity

Imagine if there were a way to forecast how proposed legislation would impact equity in our country, something along the lines of how the Congressional Budget Office scores a bill's costs. The Urban Institute and PolicyLink took on this task and have created the [Equity Scoring Initiative](#), a system that “uses a quantitative approach to measure the extent to which proposed bills can achieve equitable outcomes, and explores how to embed a quantitative measure in the legislative process.” Equity scores would provide information on how legislation would advance or harm equity, and aligns with President Biden’s [Executive Order on Advancing Racial Equity and Support for Underserved Communities](#).” That Order calls for an assessment of programs and policies, and whether they “perpetuate systemic barriers to opportunities.” The group’s first publication, [Scoring Federal Legislation for Equity](#), identifies the definition, framework, and potential applications for equity scoring. The researchers emphasize that equity scores should focus on outcomes and provide useful information and highlight existing equity analysis efforts at state and local levels that demonstrate how equity considerations can be integrated into the legislative process.

State and Local

Nonprofit Workforce Shortages Crisis

The Chronicle of Philanthropy recently published an [extensive article on the nonprofit workforce crisis](#). The article relies heavily on data from the report, [The Scope and Impact of Nonprofit Workforce Shortages](#), as well as other surveys, and draws similar conclusions about the challenges. Among those are that nonprofits can’t raise wages when constrained by government grants and contracts, nonprofits are facing severe competition from for-profits, and nonprofits are having difficulty managing the desires of employees who want to work remotely. The article spotlights the workforce challenges of one developmentally disabled group home nonprofit in Maine, finding that “the nonprofit — like many others nationwide — has

been forced to cut back on some services, and some clients are landing on waitlists.” It also identifies several techniques nonprofits are utilizing to attract and keep employees.

Worth Quoting

- “It’s a constant juggling act of figuring out where to put the money, how to keep morale up, how to keep people feeling safe, wanting to come to work. There are so many other options for our employees right now to choose something else.”

— Chloe Bernardi, CEO of Near Hearts and Homes for Youth in Maryland, quoted in [The Nonprofit Hiring Crisis](#), Jim Rendon, *The Chronicle of Philanthropy*, June 7, 2022.

- “We don’t get to say, like, ‘We’re going to double the cost of our food,’ Because doubling the cost of our food is still zero.”

— Christopher Tan, president and CEO of the Foodbank of Southeastern Virginia and the Eastern Shore, quoted in [Demand at food banks is way up again. But inflation makes it harder to meet the need](#), Jennifer Ludden, *NPR*, June 2, 2022.

Worth Reading

- [The Nonprofit Workforce Shortage Crisis and Child Care](#), Advocacy in Action, National Council of Nonprofits, May 31, 2022.
 - [How \(and Why\) Nonprofits Are Supporting the Mental Health of Their Employees](#), Jessica Mendieta and Amy Silver O’Leary, National Council of Nonprofits blog, May 11, 2022.
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Tracking ARPA Fund Investments

Nonprofit COVID-19 Relief Programs Created, Funded

State lawmakers continue to recognize the need for nonprofit relief and have worked to establish programs that provide grants for nonprofits. Late last month, **Iowa** Governor Kim Reynolds announced a \$20 million grant program, the [Nonprofit Innovation Fund](#), to help nonprofit organizations “make transformational investments in vertical infrastructure that will enable them to offer additional services or help more Iowans.” **Colorado** Governor Polis recently signed legislation to create the [Small Community-Based Nonprofit Grant Program](#) with \$35 million in federal funding from the American Rescue Plan Act. The money will be distributed through ten intermediaries to [small nonprofits serving under-resourced and rural communities](#). Nonprofits in **Oklahoma** are one step closer to securing enactment of a \$25 million nonprofit relief package as a [key committee approved a proposal](#) for the funding to be administered by the Oklahoma Department of Commerce in conjunction with the [Oklahoma Nonprofit Council](#), an advisory council composed of representatives from 25 of the state’s major nonprofits. The **Michigan Nonprofit Association** is leading efforts in support of a bill that would [create a nonprofit relief program](#) to award grants to nonprofit community service organizations and [would be run through the state association of nonprofits](#).

Worth Quoting

- “Iowa nonprofits provide critical support to Iowans most in need. While these organizations work around the clock to meet today’s needs, the [Iowa] Nonprofit Innovation Fund will provide innovative and transformational investments to help prepare Iowans for tomorrow.”

— Governor Kim Reynolds, [news release](#)

Worth Studying

- [American Rescue Plan Act Scorecards for California Counties](#), developed by the California Pan-Ethnic Health Network to track and evaluate ARPA spending at the local level.
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Tools Available for Accessing ARPA Funds

Did You Know? States and local governments should be receiving their second tranche of **Coronavirus State and Local Fiscal Recovery Funds** in the next few weeks. The recently updated Special Report, [Strengthening State and Local Economies in Partnership with Nonprofits](#), provides the latest federal guidance and fresh examples from across the country, plus insights gleaned from effective nonprofit advocacy campaigns and examples of how foundations can support the equitable distribution of ARPA funds. Read the [Executive Summary](#), the [full report](#). And check back regularly for [updated resources and other information](#).

Legislatures Embrace Reform of Nonprofit-Government Grants and Contracts

Government grants and contract reform has proven to be a major trend this year in state legislatures as nonprofit leaders advocate for streamlining processes and other changes to help alleviate the nonprofit workforce shortage crisis. Sitting on the Governor's desk in [Hawaii](#) for approval is a measure to change the Procurement Policy Board and update and automate procurement. Several bills pending in [California](#) would align state reimbursement rates for indirect costs with the federal OMB Uniform Guidance ([S.B 1069](#)), require state agencies to provide technical assistance and transparent application processes ([S.B 1123](#)), and identify a designated nonprofit liaison for each agency doing significant business with nonprofits ([S.B. 543](#)).

Earlier this month, a key **North Carolina** Senator introduced [major government contracting reform legislation](#) that would address significant challenges with the state Department of Health and Human Services. The bill would grant automatic six-month extensions of contracts if the renewal process hasn't been completed within 10 days; require payment of reimbursement invoices within 30 days and 3% interest per month if late; and establish a *de minimis* indirect cost rate of 10% of modified total direct costs on nonprofits' grants and contracts where organizations don't have federally-approved indirect cost rates, consistent with the mandate in the [OMB Uniform Guidance](#). It would also create a legislative advisory committee to look at issues of late contract processing, late payments, underpayment for indirect costs, mid-stream changes to contracts, overly complex or redundant application and reporting requirements, and unduly burdensome and unnecessary training or meeting obligations for contractors or grantees.

Worth Quoting

- “Nonprofits that feel confident in making those investments often don’t have the funds to do so, particularly those that do a lot of work under government grants and contracts.... When those contracts don’t pay the full amount that it costs to deliver a service, there just isn’t additional funding available to upgrade their technology.”

— Rick Cohen, CCO and COO of the National Council of Nonprofits, quoted in [Nonprofits rarely have funds for tech updates. It's putting them at risk.](#), Sherri Welch, *Crain's Detroit Business*, June 13, 2022.

Worth Studying

- [Nonprofit Experiences with Government Contracting: Challenges & Recommendations](#), Nonprofit Association of Washington, Apr. 20, 2022
 - [Toward Common Sense Contracting: What Taxpayers Deserve](#), National Council of Nonprofits, May 2014, providing more than a dozen tested policy solutions to address government grant and contracting challenges, such as those advancing in North Carolina.
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Numbers in the News

113,000

The number of borrowers who have received \$6.8 billion in debt cancelation through improvements to the Public Service Loan Forgiveness program. Across all loan forgiveness programs and announcements, approximately 1.3 million borrowers have received \$25 billion in student debt forgiveness since early 2021.

Source: [Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs](#), news release, Apr. 19, 2022; [Here's who qualifies for the \\$25B in student loan forgiveness already approved](#), Addy Bink, *The Hill*, June 5, 2022.

June is

- [Black Music Appreciation Month](#)
 - [Lesbian, Gay, Bisexual, Transgender, Queer, and Intersex Pride Month](#)
 - [National Caribbean-American Heritage Month](#)
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Upcoming Events

- June 17, [Public Policy Community of Practice](#), Delaware Alliance for Nonprofit Advancement
 - June 28, [Advocacy and Lobbying](#), Hawai'i Alliance of Nonprofit Organizations
 - June 28, [Public Policy Action Network](#), Momentum Nonprofit Partners (Memphis)
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Take Action: Become a National Voter Registration Day Partner

National Voter Registration Day (September 20) is a great opportunity for nonprofits to ensure that their staff, volunteers, and community members are registered to vote. [Sign up to join the nationwide effort to register hundreds of thousands of voters](#) on September 20. As an official partner, your nonprofit will receive a free voter registration kit and access to other opportunities to support your nonpartisan voter registration work.



Nonprofit VOTE Webinar

[Voter Registration 101](#)

Wednesday, June 15 at 2:00 pm Eastern

Join this easy-to-follow presentation of practical, need-to-know basics of voter registration, covering election laws, essential tools and resources, how to interact with voters and make the always crucial "ask," tips for planning and promoting a successful event, and insights from longtime National Voter Registration Day partners. [Register now!](#)

Advocacy in Action

Nonprofits, Foundations, and Governments Addressing Community Needs Together

Readers by now know that the American Rescue Plan Act (ARPA) expressly authorizes state, local, Tribal, and territorial governments to invest their allocations of the \$350 billion in funds in charitable nonprofits. Yet, while nonprofits are **eligible** for that funding, they are not **entitled** to receive these funds – nonprofits must make a case for funding. But they don't have to make their case alone. [State associations of nonprofits](#), of course, are fully engaged in driving ARPA dollars toward the missions of charitable organizations. Likewise, philanthropic organizations have a significant role to play in bringing nonprofits and decision makers together and identifying community challenges that ARPA funds can help alleviate.

[Read more](#)