

## 2019 Public Policy Agenda

### **I. Tax Policy: Empowering Community Solutions through Nonprofits**

Charitable nonprofit organizations throughout the United States are dedicated to the public good; their work improves lives, strengthens communities and the economy, and lightens the burdens of government, taxpayers, and society as a whole. Consistent tax policies at the federal, state, and local levels are critical to the success of charitable nonprofits in pioneering and implementing solutions to community problems and aspirations.

Because tax policies ensure nonprofits can effectively serve the public good and address community needs, the National Council of Nonprofits is committed to preserving the tax-exempt status of organizations contributing to the well-being of their communities and strengthening and expanding incentives for individuals to give their time and money to the organizations whose missions they support. In practice, this commitment means:

1. Supporting existing, enhanced, and new tax and other incentives at the federal, state, and local levels that encourage individuals to volunteer their time and contribute money to the missions of all charitable nonprofits. This includes, but is not limited to, supporting universal or non-itemizer charitable deductions and opposing floors, caps, or limits on existing charitable giving incentives.
2. Opposing the imposition of fees, payments in lieu of taxes (PILOTs), and taxes on tax-exempt nonprofit organizations.
3. Maintaining and – where appropriate – expanding nonprofit exemptions from paying state and local property, sales, and use taxes and from collecting sales and use taxes.
4. Supporting and preserving the longstanding federal limitation of tax-exempt organizations' ability to receive tax-deductible charitable donations only to organizations that refrain from participating in or intervening in any political campaign on behalf of or in opposition to any candidate for public office.

### **II. Budget & Spending: Addressing Community Needs**

Budget and spending decisions by governments affect all Americans and these decisions can have immediate and serious consequences for the people nonprofits serve and the communities in which they operate. Charitable nonprofits work in every community, whether caring for returning soldiers, educating children, rebuilding cities, training the workforce, nursing the sick, supporting our elders, elevating the arts, mentoring our youth, protecting natural resources, nurturing our faith and spirituality, promoting diversity, inclusion, and equity, and much more. As front-line providers of services and as organizations grounded in their communities, charitable nonprofits have a stake in the strength and well-being of the economy, and of governments at all levels. Conversely, given the vital role nonprofits play in both the economic and social wellbeing of our nation, a diverse, inclusive, and equitable society has an equally strong stake in ensuring that our nonprofits are healthy and able to fulfill their missions in support of the public good.

The National Council of Nonprofits opposes arbitrary and across-the-board budget cuts at any level of government and will work to inform policymakers of the impact of budget proposals on communities. The Council of Nonprofits likewise opposes policies that institutionalize restrictions on lawmakers' fiscal options in a manner that restricts state spending growth based on a formula, or that limits legislators' tax policy options via inflexible measures such as constitutional amendments.

The National Council of Nonprofits opposes the offloading of government services onto nonprofits without paying nonprofits the cost of providing these services. When federal, state, and local revenue is reduced, nonprofits providing public services through grants and contracts with government typically receive disproportionate cuts.

The National Council of Nonprofits encourages all nonprofits to be meaningful participants in the state budget process. Charitable nonprofits, individually and as networks, should engage actively in debates regarding comprehensive budget and tax reforms, encouraging solutions that improve transparency in the budget process, and supporting proposals that promote fiscal stability and growth, while ensuring that the work of nonprofits on behalf of the people they serve is sustained.

Budget decisions at all levels of government are often based on census data. It is imperative that the federal government adequately fund the 2020 United States Census to ensure that the process for counting residents across the nation is fair and complete. The National Council of Nonprofits opposes inclusion of a citizenship question on the 2020 Census questionnaire because of the likelihood that it will suppress participation and lead to an unfair, inaccurate, and incomplete count, impacting budget decisions.

### **III. The Economy: Strengthening Communities through Job Creation and Economic Development**

Charitable nonprofit organizations are integrally involved in the economies of their communities, their states, and the country. Nonprofits employ more than 14 million individuals nationally, pay nearly \$650 billion in wages annually, and contribute more than five percent to the Gross Domestic Product of the United States. Nonprofits collectively employ more Americans than the construction, finance, and insurance industries combined. In many states, nonprofit employment exceeds 10 percent of the workforce and employs more people than all but the top one or two industries.

While the nonprofit sector is a vital part of the economy, data consistently show that charitable organizations do not have sufficient financial and human resources to meet the needs of our nation's communities. As proven job creators, nonprofits can and should participate in the development of job growth policies at the federal, state, and local levels. The National Council of Nonprofits strongly endorses policies that promote job creation in all sectors of the economy, especially policies that promote and incentivize employment at charitable nonprofits. Other incentives not specific to the nonprofit sector should apply equally to nonprofit employers. As they do for for-profit employers, governments have a responsibility to collect and disseminate nonprofit employment and economic data that identify the impact of nonprofit organizations in their jurisdictions.

Federal, state, and local government changes to employment laws and rules (minimum wage, overtime, family/medical leave) affect the work of and people served by charitable nonprofits differently depending on each organization's mission and focus area. Fundamental fairness dictates that any changes in governmental employment policies must incorporate revisions to existing and future contracts and grants through which charitable nonprofits perform services in communities on behalf of governments.

An overwhelming majority of nonprofits with paid staff provide some form of health insurance coverage for their employees. Rising health care costs add significantly to the operational costs of nonprofits, taking away resources that nonprofits could otherwise use to provide vital programs and services. If the quality of nonprofits' employer-provided health coverage declines, then nonprofits will experience greater difficulty attracting and retaining the quality of workers that is necessary to provide services in the most effective and efficient manner possible. As federal and state policymakers revisit health care laws, the National Council of Nonprofits strongly encourages them to adopt policies that enable nonprofit workers to have access to high quality and affordable health coverage and to ensure that any health care policy changes designed to provide health coverage cost savings, increased flexibility, and/or higher quality health coverage for businesses and business employees apply equally to nonprofits and nonprofit workers.

### **IV. Public-Private Collaborations for the Public Good**

Charitable nonprofits are private organizations that share a commitment with governments to improving lives and communities throughout the country. The National Council of Nonprofits is dedicated to improving government-nonprofit contracting systems, and to strengthening the public-private partnership at all levels through collaboration and direct engagement. Specifically, the National Council of Nonprofits supports:

## Federal

1. Reforms to government-nonprofit grants processes that streamline policies and procedures to avoid duplication and waste, develop standardized definitions for contracting and grant language, ensure that payments to nonprofit organizations for direct and indirect costs from the federal government through state and local governments are applied consistently, fairly, and in a timely manner, and eliminate from federal statutes and regulations arbitrary caps on reimbursement of nonprofit indirect, administrative, or overhead costs.
2. Adoption of reforms that help make the federal government a more productive and collaborative partner with nonprofit organizations by establishing
  - a. Better communication with the federal government;
  - b. Better coordination of policies and practices within government; and
  - c. Enhanced research and data sharing by government.
3. Sufficient funding for nonprofit capacity building programs and reforms that expand the availability and range of trainings to address the needs of rural as well as urban communities.

## State

1. Creation of a senior Executive Branch Liaison to the Nonprofit Sector, with the goal of ensuring collaboration between government and charitable nonprofits. This includes, but is not limited to a full cabinet level official, special advisory council, or as a senior advisor in the Governor's Office, and/or in the office of the state's primary nonprofit regulator and other cabinet-level departments.
2. The commitment of governments and nonprofit providers to collaborate in streamlining and reforming the existing dysfunctional and inefficient grants and contracting systems that deprive individuals of the services they need, deny taxpayers the full value of the programs they fund, and prevent nonprofit organizations from achieving their full impact.
3. Collaboration between state and local governments and nonprofit contractors and grantees to:
  - a. Ensure full and fair implementation at the state and local levels of the cost principles and other federal grants reforms contained in the Office of Management and Budget Uniform Guidance;
  - b. Promote greater efficiency and cost savings by replacing existing state and local laws, regulations, and procedures with one uniform system based on the federal cost principles and reforms in the Uniform Guidance and applying them to all of their contracts and grants with charitable nonprofits, regardless of public funding source; and
  - c. Identify and eliminate from state statutes and local ordinances arbitrary caps on reimbursement of nonprofit indirect, administrative, or overhead costs.
4. Creation of bi-partisan Nonprofit Caucuses in State Legislatures to serve as resources for information on the nonprofit sector through which lawmakers can work together on legislative and regulatory issues impacting charitable nonprofits and the people they serve in their states and tap ideas and solutions tested in the real world by organizations dedicated to serving their communities.
5. Recognition that new funding mechanisms – such as social impact bonds and pay-for success programs – are neither the cure-all remedy for every social problem or public funding short-fall as promoted by some nor the guaranteed disaster in every circumstance warned against by others. Parties contemplating such funding arrangements should set expectations and avoid unintended consequences as they seek to address community problems by consulting the National Council of Nonprofits' [Principles for Consideration of New Funding Mechanisms](#).

## **V. Advocacy Rights: Promoting Civic Engagement**

The nonprofit sector is vital for democracy to be successful; the rights of the people to gather through nonprofits to speak freely about public policies must be preserved. From before the time our nation was formed through today, individuals have assembled in groups to advocate for the advancement of the issues and concerns of their times. As safe havens for people to gather to amplify their collective voices, nonprofits have a duty to stand up and speak out for the public good and promote a more diverse, inclusive, and equitable society. Nonprofits often provide a voice for those individuals and groups who are unable to speak for themselves. Likewise, nonprofits share the responsibility to promote greater engagement of the citizenry, civic dialogue, open elections, and open government. For these reasons, the National Council of Nonprofits has long held that the public's overall trust in the sector would diminish and thus limit the effectiveness of

the nonprofit community if individual 501(c)(3) organizations came to be regarded as Democratic charities or Republican charities instead of the nonpartisan problem solvers that they are.

The National Council of Nonprofits works to create a culture in support of nonprofit advocacy and to maintain the advocacy rights of nonprofit organizations in the following ways that promote, support, and protect nonprofit advocacy:

1. Supporting and preserving the longstanding federal limitation of tax-exempt organizations' ability to receive tax-deductible charitable donations only to organizations that refrain from participating in or intervening in any political campaign on behalf of or in opposition to any candidate for public office.
2. Opposing new restrictions on the advocacy rights of charitable nonprofits.
3. Promoting advocacy as a core component of the mission of nonprofits to address problems and have impacts in their communities.
4. Correcting misperceptions and clarifying lobbying laws and regulations to empower 501(c)(3) nonprofits to advocate fully and freely within the law.
5. Leveling the playing field by supporting an increase to the financial thresholds for nonprofit lobbying activities.

In 2020, the U.S Census Bureau will conduct the decennial census pursuant to the enumeration clause of the U.S. Constitution. A complete, accurate, and complete count of all persons is important for our democratic institutions as the census determines how representatives are apportioned among the several states, as well as how hundreds of billions of federal dollars are allocated to states and localities for key programs, many of which are administered through charitable organizations. Undercounts of individuals and demographic groups that charitable nonprofits serve can lead to inadequate representation and funding, which in turn put more pressure on nonprofits and foundations, state and local governments, and businesses in undercounted areas to do even more to address unmet needs. The National Council of Nonprofits believes that it and all charitable nonprofits have a significant stake and role to play in ensuring that all residents are counted as part of the 2020 Census.

## **VI. Public Accountability and Nonprofit Independence: Ensuring Public Trust**

The charitable nonprofit community recognizes that mission-driven nonprofits can be successful only by earning and maintaining public trust through appropriate transparency, which can be guided by reasonable regulation that recognizes the unique role of these organizations in communities. For these reasons, the National Council of Nonprofits supports reasonable and non-burdensome regulations and policies that already make the nonprofit community the most transparent sector of the U.S. economy. An appropriate balance must be struck that recognizes and respects the independent activities of nonprofits as public-spirited yet still private organizations. The National Council of Nonprofits also supports:

### Federal

1. Maintaining the proper balance between protecting and informing the public and preventing excessive and disruptive regulatory burdens that hinder the missions of charitable nonprofits.
2. Adequate funding for quality education, and transparent oversight of charitable nonprofit organizations and fair enforcement of nonprofit laws by the IRS.
3. Maintaining state primacy in the regulation and enforcement of consumer protections related to charitable nonprofit organizations.

### State

1. Adequate funding for quality education, transparent oversight, and fair enforcement activities by state regulators charged with promoting charitable nonprofit compliance and protecting the public.
2. Setting reasonable thresholds for state-mandated audits of nonprofit finances.
3. Developing clear, uniform and cost-free or inexpensive registration requirements, such as streamlining/standardizing multi-state charitable registration requirements, for nonprofits that engage in fundraising in more than one state. Nonprofits domiciled out of state should not have to register in a state merely by virtue of a "donate" or similar passive link on a website, social media, or other electronic means until receipt of a significant amount of donations, e.g., the \$25,000 annual

gross revenue threshold under Colorado law, and receipt of repeated and ongoing donations from residents of the state of registration.

4. Protecting the decision-making autonomy and self-governance authority of charitable nonprofits.
5. Programs that promote volunteering activities that mutually benefit individuals and the people served through nonprofits, but opposes proposals to condition receipt of government provided benefits on requirements that individuals volunteer at nonprofit organizations, a policy known as “mandatory volunteerism,” that impose increased costs, burdens, and liabilities on nonprofits by an influx of coerced individuals.
6. Recognizing that, as in the case of for-profit businesses, receipt of public funding through arms-length transactions involving contracts or grants does not convert private independent nonprofit organizations into governmental instrumentalities. The National Council of Nonprofits rejects any presumption or suggestion that most charitable nonprofit organizations are “quasi-governmental” or “government-sponsored” entities that require additional levels of scrutiny not applied equally to for-profit organizations, and opposes proposals that fail to acknowledge nonprofit accountability, independence, and effectiveness. From a public policy standpoint, this means:
  - a. Opposing the imposition of ineffective and unnecessary board governance mandates or restrictions.
  - b. Clarifying that the applications of state and local open meeting laws are limited to governmental entities and do not generally apply to private nonprofits or for-profit organizations.
  - c. Ensuring that any consideration of the application of public records laws to individual organizations, whether nonprofit or for-profit businesses, balances the legitimate need of the public to know about the expenditure of public funds with the burden of compliance and the need to maintain confidentiality of certain kinds of records.
  - d. Demanding that any attempt to set compensation, training, disclosures, governance requirements, or other conditions on nonprofit organizations must be applied equally to for-profit entities.