

September 11, 2020

The Honorable Mike Thompson
Chair
House Ways and Means
Subcommittee on Select Revenue Measures
1102 Longworth House Office Building
Washington D.C. 20515

The Honorable Adrian Smith
Ranking Member
House Ways and Means
Subcommittee on Select Revenue Measures
1139 Longworth House Office Building
Washington D.C. 20515

RE: Subcommittee Hearing on Consequences of Inaction on COVID Tax Legislation

Dear Chair Thompson and Ranking Member Smith:

We write to thank you for holding this important hearing and to share the views of thousands of charitable nonprofits operating throughout the United States struggling against economic forces to provide relief to people and communities affected by the COVID-19 pandemic. As the hearing title suggests, our country urgently needs Congress to immediately pass essential tax policies to help individuals and families, organizations, businesses, governments, and the economy get through this devastating national crisis. In this letter, we share bipartisan policy solutions that will enable the charitable sector to address the increasing demands for our services, the significant decline in revenues, and numerous challenges that charitable organizations of all sizes are facing.

The virulent and lasting nature of the pandemic has exceeded all expectations. More relief is urgently required, and we call on Congress to set aside partisan and election-related concerns in favor of passing legislation immediately to address the increasingly desperate needs in our communities. Specifically, we urge the Subcommittee and Congress to pass legislation this month that includes the following policy solutions:

- **Increase and Expand the Above-the-Line Deduction:** There is broad bipartisan support for strengthening the charitable giving incentive to encourage all taxpayers to help their communities during these challenging times through charitable donations. Increased donations are needed today as nonprofits respond to the current health and economic crisis and will be critical in the future as nonprofits play an essential role in recovery efforts when the pandemic ends. The CARES Act included a \$300 above-the-line deduction that expires at the end of this year. A version of an expanded deduction has been included in the latest Senate relief bill that would improve the small amount in the CARES Act to allow for a \$600 deduction for individual taxpayers and permit a \$1,200 above-the-line deduction for charitable giving for those filing a joint return. This is a move in the right direction, but the provision would only be effective for a few months, expiring well before economists predict the recession will end. We encourage Congress to increase the giving incentive as proposed in the Universal Giving Pandemic Response Act (H.R.7324) and extend it through 2021 so that charitable organizations and donors can become familiar with this above-the-line deduction and use it to the full advantage to provide needed assistance.

- **Provide Full Unemployment Benefit Reimbursement** to nonprofits and other employers that self-insure these benefits. Federal and state laws give nonprofits the option of operating as self-insured (“reimbursing”) employers that make payments to their state unemployment insurance systems for benefits attributable to them in lieu of advance contributions. Shut-down orders by government officials and program cancellations have forced nonprofits to furlough or layoff staff, triggering immediate, catastrophic unemployment invoices that are currently due and payable in most states. The challenges are exacerbating cash flow difficulties at a time when other employers will likely experience little or no additional unemployment related costs resulting from COVID-19-related layoffs and are diverting valuable funds from mission services. To protect nonprofit jobs and the delivery of services, Congress needs to increase the federal unemployment insurance reimbursement for self-insured nonprofits to 100 percent of costs.
- **Expand the Employee Retention Tax Credit (ERTC)**: Both the House-passed HEROES Act and the HEALS Act in the Senate call for expanding the ERTC so that employers can bring back and retain more employees. We strongly support the underlying tax policy and ask that Congress provide as generous a credit as possible, recognizing that restoration of employment is essential to economic recovery. We strongly recommend that nonprofits be able to claim the full credit without any requirement that such organizations suffer a decline in gross receipts. Charitable nonprofits are not like for-profit entities. Most charitable organizations have kept their missions going throughout the pandemic; their revenues may have declined some, but their expenses have grown far beyond budget expectations. We believe that a rule requiring a decline in gross receipts would effectively punish those that have refused to simply wait for a rescue.
- **Enact a Safe and Healthy Workplace Tax Credit**: Charitable nonprofits strongly endorse a refundable payroll tax credit for the purchase of personal protective equipment, other safety equipment and qualified workplace reconfiguration expenses, and qualified workplace technology expenses. Many organizations have been forced to “reinvent” how and where they provide services to those in need, many of whom are COVID vulnerable constituents, and have incurred significant expenses in this reconfiguration effort. A refundable payroll tax credit based on 50 percent of an employer’s expense would provide charitable organizations with needed resources to continue their response work.
- **Non-Tax Policy Priorities**: While perhaps beyond the scope of the hearing and the Committee, the nonprofit community encourages all Representatives and Senators to include additional policy solutions that would better enable charitable organizations to serve your constituents. These include: **(1)** Extend eligibility of PPP to all nonprofits of all sizes and lift the loan cap to appropriately reflect the operational needs of these nonprofits; **(2)** Extend and expand the Paycheck Protection Program (“PPP”) by enabling a second round of funding for all nonprofits; **(3)** Enact and expand grant and funding programs, such as the proposed WORK NOW Act (H.R. 7495), to help nonprofits retain employees, scale service delivery, and create new jobs; **(4)** Appropriate funds for federal grant programs that enable nonprofits to advance their missions of serving communities; and **(5)** Authorize and require the Federal Reserve to improve the nonprofit lending facility under Main Street Loan Program that is tailored to accommodate mid-size nonprofits including language similar to H.R. 6800 that offers a loan forgiveness option.

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Select Revenue Measures Subcommittee
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Much of the foregoing has been endorsed in the [new Nonprofit Community Letter](#) to Congress, signed by more than 4,000 organizations in all 50 states. They are also reflected in the [bipartisan letter to House leadership](#) signed by nearly 150 Representatives, including several members of this Subcommittee.

We thank you, once again, for your leadership in crafting and passing COVID-19 related relief legislation on broad, bipartisan bases. We ask now that you pass new legislation in the next few weeks that recognizes the indispensable role charitable organizations are playing and will continue to contribute to our nation's economic recovery by including these bipartisan policy solutions. We stand ready to assist in this very important work.

Sincerely,

American Alliance of Museums
American Cancer Society Cancer Action Network
American Heart Association
Association of Art Museum Directors
Council for Advancement and Support of Education
ETS
Girls Inc.
Independent Sector
Jewish Federations of North America
League of American Orchestras
Lutheran Services in America
March of Dimes
Meals on Wheels America
Mental Health America
National Council of Nonprofits
Union of Orthodox Jewish Congregations of America
United Way Worldwide
Volunteers of America
YMCA of the USA
YWCA USA