

March 16, 2020

Via E-mail

Governor Phil Murphy
Senate President Steve Sweeney
Senate Republican Leader Tom Kean, Jr.

Lieutenant Governor Sheila Oliver
Assembly Speaker Craig Coughlin
Assembly Republican Leader Jon Bramnick

Dear Governor Murphy, Lt. Gov. Oliver, and Senate and Assembly Leaders,

The Center for Non-Profits commends and thanks you for your thoughtful response to the spread of coronavirus (COVID-19) within our state. Strong, unified leadership is needed now more than ever.

As you consider policy measures to best equip the state to handle this pandemic, we would like to urge you to keep the needs of New Jersey's non-profit community in mind, and to consider provisions that would help non-profits to weather the crisis. As you know, New Jersey's 34,000 charitable non-profits provide vital programs and services in communities across the state, often in strong partnership with the government, and are a substantial employer, representing nearly 10% of the state's private workforce. It is in everyone's best interest to maintain a thriving non-profit community in the Garden State.

Attached is a joint letter from 30 national non-profits to Congress that highlights some concerns and solutions related to COVID-19 and possible economic stimulus packages at the federal level, all of which also apply at the state level.

In addition to what is included in that letter, we urge you to consider the following provisions in New Jersey's legislative and executive response to COVID-19 as a starting point:

- Non-profits may have difficulty fulfilling their deliverables on a state contract/grant due to the impacts of the behavior changes needed to respond to the public health emergency, as well as the ripple effects through the economy. We urge you to pass legislation requiring that, if a non-profit cannot fulfill its deliverables on a state contract due to circumstances related to the pandemic, then the contract will be based, and promptly paid, on intended deliverables without penalty for inability to meet deliverables. We also ask you to establish an expedited approval process for contract budget modifications that do not increase the total contract cost, in order to allow non-profits to address new priorities or unanticipated expenses stemming from the outbreak.
- Ensure non-profit employees are eligible for Unemployment Insurance (UI) changes due to the pandemic response. We support efforts to ensure that those COVID-related UI claims are not charged to the employer's experience rating. Since 501(c)(3) non-profits also have the option to self-insure, it may need to be spelled out in legislation that reimbursing employers are to be treated similarly as those that use the state UI system.
- As noted in the attached national non-profit letter, any assistance to employers through a corporate/income tax mechanism will leave out non-profit employers. Any employer benefit should be available to non-profit employers, either through a grant mechanism or by making the tax mechanism relate to the taxes non-profits pay, such as payroll taxes.
- Ensure that legislation or regulations to provide loans, financial assistance insurance protections or other relief for small businesses are structured so that non-profits are also covered or eligible.

- Similar to the extensions provided for motor vehicle registrations and drivers' license renewals, it would be helpful to establish automatic 3- or 6-month extensions in filing deadlines for corporate annual reports with the Department of Treasury, Division of Revenue and Enterprise Services, and annual charities registration renewals with the New Jersey Division of Consumer Affairs without requiring advance payment of filing fees. Since charities are likely to be in dire financial straits for a prolonged period, it would also help to raise the mandatory charities registration audit threshold from the current \$500,000 (unchanged since 2011) to \$750,000 or \$1 million.

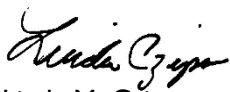
It is also important that you know what we are hearing from non-profits at this time:

- Non-profits, particularly service providers, are being called on to adapt quickly to new operating requirements, educate community members, and support vulnerable community members without any new resources.
- Many nonprofits are on the front lines - providing medical care, food, shelter, and services in this increased time of need. Years of continuous, chronic under-funding of non-profits makes the job even harder when need is even greater. (This is why we have been urging lawmakers in Trenton and Washington to enact legislation to create or expand tax incentives for charitable giving.)
- Many non-profits are likely to face a spike in demand for services in the coming weeks and months.
- In some cases, several factors may combine to create difficult challenges. For example, food banks and food pantries are more needed than ever, yet many rely heavily on volunteers, many of whom are senior citizens and/or may otherwise be unable to volunteer at this time for safety reasons.
- Non-profits have expressed concern about the need for more communication and specific guidance from the government, particularly at the county and local levels.
- Non-profits tend to be under-resourced and under-staffed even in the best of times. A drop-off in staff and volunteers due to illness, vulnerability to illness, children home from school, etc., will pose threats to program continuity.
- Many organizations are already suffering significant and alarming financial losses due to cancelled fundraising events, cancelled performances, cancelled conferences, and other programs. Economic hardship experienced by would-be donors obviously exacerbates this situation.
- Like for-profit small businesses, non-profits need immediate emergency relief and will also need much help to recover economically long-term. Further, past experience has shown us that while downturns typically hit non-profits immediately, any economic recovery typically takes an additional period – often two years or more – to reach the non-profit community.

To reiterate, we urge you to remember the non-profit community and to consult with non-profit leaders statewide as New Jersey continues to address this crisis. The Center, our members and partners are ready and able to participate, bringing the concerns and knowledge of the non-profit sector into the conversation. Please let us know how we can help in providing useful information or connecting you with leaders who can advise your efforts.

Thank you for your leadership and consideration.

Very truly yours,



Linda M. Czipo
President & CEO



Why Nonprofits Must Be Included in a COVID-19 Relief and Economic Stimulus Package

Nonprofits Are Significant Employers

Nonprofits employ 12.3 million people (the third largest workforce – tied with manufacturingⁱ), with payrolls exceeding those of most other U.S. industries, including construction, transportation, and finance. A substantial portion of the nearly \$2 trillion nonprofits spend annually is the more than \$826 billion they spend on salaries, benefits, and payroll taxes every year.ⁱⁱ Yet, in multiple disaster relief laws in the past, Congress has ignored this core economic fact and approved employment-related tax credits that left nonprofit employers and employees out of the provisions.

Policy Solution: Any employment-focused relief or stimulus legislation must expressly apply to employment at tax-exempt organizations by making tax credits and deductions applicable not just to income taxes, but to the taxes nonprofit pay, such as unrelated business income taxes and payroll taxes.ⁱⁱⁱ

Most Nonprofits Are Small Businesses

Most nonprofits are relatively small: 97 percent of nonprofits have budgets of less than \$5 million annually, 92 percent operate with less than \$1 million a year, and 88 percent spend less than \$500,000 annually for their work. Thus, the “typical” nonprofit is community-based, serving local needs. Also, relatively few nonprofits have an endowment and most have limited reserves – about 50 percent have less than one month of cash reserves.^{iv}

Policy Solution: Nonprofits must be expressly included in tax and other relief targeted to small businesses.

Nonprofits Are on the Frontlines of Coronavirus Response

No one doubts that hospitals, community health centers, and senior living communities will continue to be hit hard by the coronavirus. Most of those organizations are charitable nonprofits. And many

other nonprofits are responding to the outbreak, such as local Meals on Wheels which are serving their normal community of elderly people and a growing number of individuals under quarantine. The list goes on to include nonprofit food banks, shelters, domestic violence services, houses of worship, early care and education centers, after-school facilities, and more that are being called on to feed, house, and care for people whose lives have been disrupted by closures, job loss, and sickness.

Policy Solution: Funds are needed to pay for the increased costs and demand for services arising because our economy and safety net was not built for a pandemic of this degree.

Nonprofits Are Experiencing Declining Economic Activities

Just as travel, restaurant business, and tourism have dropped off, so has the community engagement and related services of many nonprofits that promote and serve a vibrant economy. ASAE reports that meetings convened by all types of nonprofit associations in the United States annually attract more than 250 million attendees, contribute nearly half a trillion dollars to U.S. gross domestic product, and directly support 5.9 million jobs.^v Many of those jobs will likely disappear in the coming weeks. As will the jobs and revenues lost as a result of closed productions at concert halls and theaters large and small, curtailed training sessions and other educational programming, cancelled fundraising events where many nonprofits earn significant mission dollars through attendance and sponsorships, and diminished attendance at cultural, religious, and community events. All of these activities are essential to a healthy economy and deserving of stimulus.

Policy Solution: Any economic stimulus proposals aimed at helping adversely affected industries and geographic areas must recognize the impact of the coronavirus crisis on the nonprofit sector.

Nonprofits Are in Every Community Ready to Serve

Everywhere in America, charitable nonprofits are already in place serving the needs of residents. Every dollar granted, donated, or earned goes back into the community immediately to address clear and present problems. Nonprofits are our economy's shock absorber when crisis hits. Dollars devoted to nonprofits – whether through new appropriations or expanded charitable giving incentives – will be spent immediately on solutions and recirculated in local communities.

Policy Solution: Congress should ensure communities are able to support their local nonprofits during this crisis by enacting a **targeted, temporary giving incentive** that enables all residents, regardless of whether they claim itemize deductions, to receive a tax incentive for giving to the work of charitable nonprofits responding to, or suffering from, the coronavirus.^{vi}

ⁱ [The 2019 Nonprofit Employment Report](#), Johns Hopkins Center for Civil Society Studies, page 5.

ⁱⁱ [Nonprofit Impact Matters](#), National Council of Nonprofits, September 2019, page 12.

ⁱⁱⁱ [Letter to Senate Finance Committee Taskforce on Disaster Tax Relief](#), National Council of Nonprofits, June 13, 2019, proposal #2.

^{iv} IRS Business Master Files, Revenue Transaction Files, and Form 990/990-EZ/990-N returns processed for fiscal years ending circa 2016 (released June 2018), DataLake Nonprofit Research (datalake.net). For a full description of the data, see www.NonprofitImpactMatters.org.

^v [Letter from ASAE to National Economic Council](#), March 6, 2020.

^{vi} [Letter to Senate Finance Committee Taskforce on Disaster Tax Relief](#), National Council of Nonprofits, June 13, 2019, proposal #4.