

Memo to Congress: Let's Support Nonprofits, Not Hinder Them

By Donna McGinnis, MBA, CFRE

Three years ago, Congress came oh-so-close to passing the Charity, Aid, Recovery and Empowerment Act (CARE), which would have provided new incentives for Americans to donate to charities. Only a spate of partisan politics kept this important legislation from becoming law.

Now, in the aftermath of severe natural disasters, Congressional leaders are again considering several initiatives that could have a significant impact on nonprofits — both positively and negatively. On the positive front, Senators Rick Santorum (R-PA) and Joseph Lieberman (D-CT) have introduced the CARE Act of 2005, the effect of which would be to encourage even more Americans to contribute their time, talents and treasures to charity. Its provisions include:

- Allowing taxpayers who *do not* itemize to deduct a portion of charitable contributions (up to \$500 for individuals or \$1,000 for joint filers).
- Authorizing donors to make direct, tax-free cash charitable contributions from individual retirement accounts (IRAs).
- Providing financial assistance to help small community and faith-based organizations to grow and care for more people.
- Authorizing charitable deductions for contributions of food and book inventories, as well as literary, musical, artistic and scholarly compositions.
- Permitting mileage reimbursements for charitable volunteers to be excluded from their gross income.

One has only to look at the ongoing relief efforts of the Red Cross, the Salvation Army and, here in St. Louis, agencies such as Catholic Charities, Youth in Need and others, to see their unique ability to use our donations where they will do the most good. As Senator Santorum says, “At a time when we are asking so much of our community based organizations, we should be proactive in finding ways to more fully engage the American public in charitable giving.”

Unfortunately, another piece of legislation, expected to be introduced soon, could offset many of the positive aspects of the CARE Act. The Senate Finance Committee, led by Senator Charles Grassley (R-IA), is considering a series of charitable reforms that may include eliminating deductions for non-cash donations to charities, mandating the specific size of nonprofit boards, and requiring charities to “re-register” with the IRS every five years in order to keep their nonprofit status.

Many in the nonprofit sector, including the Association of Fundraising Professionals, are concerned these changes could put smaller charities completely out of business. Of great concern is the elimination of deductions for non-cash donations, which many charities need to survive. This would mean households would get no deduction for donating clothing and furniture to Goodwill, and businesses would get no deduction for donating equipment, inventory or overstocks.

In addition, few organizations have the time or staff resources to devote to more rigorous administrative and reporting criteria. Fewer still can afford to lose the valuable leadership and advocacy support their board members provide if a smaller number of directors is mandated.

In the Sarbanes-Oxley world we live in, accountability has become a popular buzzword. But we cannot afford to overreact when studies show that the vast majority of nonprofits do not have an accountability problem. This time around, let’s focus on making it easier — not harder — for nonprofits to do their work. Tell Congress to set aside their differences and enact the positive aspects of the CARE Act that can help make our agencies even stronger.

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