INSTITUTE BRIEF

Volume 17, Number 34 December 2010

Charitable Donations are Not Government Money

By Deborah D. Thornton

> "Be careful not to do your 'acts of righteousness' before men, to be seen by them. When you give to the needy, do not announce it with trumpets…to be honored by men. When you give…do not let your left hand know what your right hand is doing, so that your giving may be in secret."
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> Matthew 6:1-4, *Holy Bible*, New International Version

Charitable giving is down — yet groups and Legislators from California, Minnesota, and New York want to stifle support for our local communities by imposing strict new government rules about donation reporting, charitable board membership, proportional charitable distributions, and tax treatment. According to the Center of Philanthropy, giving by wealthy Americans — those with a household income of over $200,000 — fell almost 35 percent from 2007 to 2009, a drop of $29,000 per person. Though cash donations fell, time and talent contributions rose, with three-quarters indicating that they volunteered an average of 307 hours.[1] Giving by lower-income Americans also fell, though by not as much.

The Philanthropy Project "Give and Glow" Website lists 12 broad categories of giving: Animal Welfare, Arts & Culture, Community Development, Economic Development, Education, Entrepreneurial, Environment, Faith-Based, Health, Human Services, Science, and Social Justice.[2] Undoubtedly there are more. At this time an individual can give as much, or as little, as they wish, publicly or privately, to virtually any type of organization. If your cause or interest isn't represented, you may start your own non-profit group. Or you may just give directly to someone who has a need, without any organization.

Yet legislation recently passed in California (AB 624) establishes strict requirements on charitable organizations. This includes documenting and publishing extensive demographic information about their officers, board composition, managers and staff, donors, funding priorities, and grant recipients. Foundations and charities would be required to meet arbitrary representational, leadership, and award requirements in categories including race, sexual orientation, and income — irrespective of the mission and goal of the organization. The goal of the Greenlining Institute, which promoted the legislation, was that <u>all</u> private charitable organizations must give "at least half of their funding to minority communities," and another quarter to "advocacy, organizing, and civic engagement to promote equity, opportunity, and justice."[3]

At the national level, Congresswoman Betty McCollum (D-MN) proposed stringent legislation, HR 5533, the Nonprofit Sector and Community Solutions Act, establishing two new federal non-profit oversight boards and requiring significant data reporting.[4] The boards include a new U.S. Council on Nonprofit Organizations and Community Solutions, and a "Working Group" made up of an alphabet of federal agencies, placing the federal government in a new, more stringent, oversight role. Another attack occurred recently in New York where Governor David Paterson signed legislation cutting in half the tax benefit of charitable donations for wealthy donors, from 50 to only 25 percent of the contribution amount. This impacts over 3,500

A Publication of: **Public Interest Institute *at* Iowa Wesleyan College**
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individual taxpayers, will potentially generate an additional $100 million in taxes, and is expected to reduce large donations.[5]

Much of the impetus for these movements is based on the idea that the money given by individuals to charitable organizations is not really their money to control, but "public money" because of tax credits. In the case of New York, increasing tax collections was a specific goal, while social engineering drives the Greenlining Institute and Congresswoman McCollum. Their belief is since without tax credits this money would come to the government as taxes, the money given to charity by workers and business people is not really their money — instead it belongs to the state and the state should determine the appropriate "redistribution."

Many donors want privacy and anonymity for a wide variety of reasons, ranging from professional and personal discretion, to possible retribution and personal problems resulting from disagreements about their choice of causes to support. Government mandated disclosures of contributions are in direct contradiction of the directive in *Matthew* to give privately.

In Florida, the effort to increase government control of charitable donations has been stopped by the passage of legislation specifically protecting "the freedom and independence of foundations to carry out their charitable goals and missions."[6] SB998 prevents government from making "arbitrary standards" on governance and grantmaking decisions, and protects non-profits from "undue outside influence." This legislation was supported by the Alliance for Charitable Reform, working nationwide to promote a strong, independent philanthropic sector.

In Iowa, the "Endow Iowa" program was increased from $3 to $4 million in 2010. Under this program, any individual, business, or financial institution giving to an "endowed" charitable fund can apply for and receive a 25 percent state tax credit, in addition to their federal deduction.[7] Small donors (<$30,000) and affiliate community organizations are encouraged by holding 10 percent and 25 percent of the credits in reserve for them respectively.[8] It only takes five people and $10,000 to start your own affiliate fund, and donations are accepted through the end of each calendar year.

Americans have a strong tradition of charitable donations both large and small, providing enormous benefit. It should be encouraged — not discouraged.

(Endnotes)

[1] Debra E. Blum, "Donations by the Wealthy Dropped Sharply in the Recession, Study Finds," *The Chronicle of Philanthropy*, <http://philanthropy.com/article/Donations-by-theWealthy/125312/> (November 9, 2010).

[2] "Feel the Glow," Philanthropy Project, <http://www.aolnews.com/philanthropy/article/feel-the-glow/472438> (November 9, 2010).

[3] Mark Tapscott, "Day Five of a Five-Part Series: Greenlining hits the road, targets private foundations," *The Washington Examiner*, April 16, 2010.

[4] Suzanne Perry, "Lawmaker Proposes Measure to Bolster Data About Nonprofit Organizations," *The Chronicle of Philanthropy*, July 11, 2010, <http://philanthropy.com/article/Lawmaker-Seeks-to-Bolster/66204/> (November 8, 2010).

[5] Grant Williams, "N.Y. Governor Signs Charitable-Gift Limits Into Law," *The Chronicle of Philanthropy*, August 10, 2010.

[6] "Legislatures in Florida and Virginia Move to Protect Foundations from Overreaching Influence from pressure Groups and Government," Alliance for Charitable Reform, Press Release, June 1, 2010.

[7] Endow Iowa Tax Credits, <http://www.iowalifechanging.com/endowiowa/default.aspx> (November 8, 2010).

[8] Iowa Administrative Code, Chapter 47, Endow Iowa Tax Credits, 47.4(1) and 47.4(2), <http://www.iowalifechanging.com/endowiowa/downloads/taxcreditrules.pdf> (December 1, 2010).

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