



## Foundations on the Hill- District Days Talking Points

While the Council on Foundations and the Forum of Regional Associations of Grantmakers encourage participants to take advantage of any contact with your legislators during Foundations on the Hill-District Days to showcase the work that you do and to build general awareness of the role your foundation plays in your community, we realize that many of you will also discuss legislative proposals of relevance to the philanthropic sector. In preparation for those conversations, the following talking points may be useful.

**Extend and Expand the IRA Charitable Rollover:** Since it was first enacted, the IRA rollover has been popular among older donors because it allows them to transfer money directly from their IRA account to charity without having to recognize the amount as income first and possibly owing taxes. Yet each year donors have to wait to find out whether Congress will extend the provision for another year. In addition, certain gifts including gifts to donor advised funds, supporting organizations and private foundations are not eligible for direct transfers from an IRA account.

- Act now to pass the current extenders package and extend the IRA roll-over to gifts made in 2010.
- Begin working on new legislation that would make the IRA rollover permanent and expand it to permit gifts to donor advised funds, supporting organizations and private foundations.
- Donor-advised funds are used to support non-profits in the areas of job training, child care, housing, nutritional support, and many others areas, which will help support local communities hit hard by the economic downturn.
- Two recent studies by the Council on Foundations show that, in 2007, donor-advised funds accounted for over one-third of all community foundation assets and 62% of their total grantmaking.

**Implement a flat, and revenue-neutral, private foundation excise tax:** Each year, private foundations pay an excise tax on their net investment income. This rate is either 1% or 2% depending on how that year's distributions compares to the average distributions over the 5 prior years. This two-tiered system is unnecessarily complicated and has the unintended effect of discouraging or penalizing additional giving during times of extraordinary need or declining markets.

- Act now to replace the current two-tiered rate with a simplified flat rate that will both help reduce foundation administrative expenses and encourage increased giving during the difficult economic times.
- Many foundations that have stepped up their grantmaking and programs in 2009 and 2010 face increased taxes at the 2% rate in the coming years because of their commitment to their communities.
- The Joint Committee on Taxation (JCT) has analyzed the current proposal and has indicated that a flat rate of 1.39% would be revenue neutral.

**Maintain Current Law on Charitable Deduction Rates:** In light of budget deficits, and given the need for massive revenues to fund policy initiatives, President Obama's fiscal 2010 budget proposes a stand-alone revenue raiser which would cap the tax deduction for itemized charitable giving at 28 percent for families earning more than \$250,000 or individuals earning more than \$200,000. While philanthropy recognizes the need for resources to aid in the economic recovery efforts, we believe that revenue-raising proposals that would adversely affect charitable giving are wrong.

- Although there are no current legislative proposals to limit itemized deductions, please remain vigilant and oppose legislative proposals that raise federal revenue at the cost of charitable giving.
- A significant reduction in the charitable deduction rate will reduce the current incentive for donors to give, thus reducing the amount of money available to support worthy non-profits across the country.
- At a time when charities and non-profits are faced with increasing demands from their communities, it is important that public policies support and encourage charitable giving.

**Reinstate the Estate Tax:** The estate tax operates as an important charitable giving incentive, encouraging lifetime gifts that decrease the size of the taxable estate and testamentary gifts that result in a estate tax deduction. The expiration of the estate tax at the end of 2009 threatens charitable giving. While the restoration of the estate tax to pre-2001 rates (55 % with a \$1 million exemption) will reverse that, the current uncertainty makes estate planning difficult and causes confusion that could cost the charitable sector much needed support during these difficult times.

- The existence of an estate tax along with deductions for charitable gifts is essential to the economic vitality of the charitable sector.
- More important that the rate of the estate tax and the minimum estate value to which the tax applies, certainty and stability are essential to allow individuals to properly prepare and include charitable giving in their estate planning.
- Officially, the Council supports reinstatement of estate tax at the rates and exemption levels in place during 2009 (45% rate, \$3.5 million exemption)

- The president's 2011 budget request proposes to permanently extend the estate tax at the 2009 levels.

***Support the Congressional and Senate Philanthropy Caucus:*** The work of the philanthropic sector affects the lives of millions of Americans- especially now while we are in a down economy. One way that lawmakers can keep abreast about the work that grantmaking organization, foundations and corporate giving programs do in their states and respective districts is by becoming a member of the philanthropy caucus.

- Act now and support the philanthropic sector by becoming members of the congressional and senate philanthropy caucuses, respectively.
- The Philanthropy Caucuses help
  - Inform members of Congress and their staff about the important role that foundations play in their communities and around the globe;
  - Identify issues of mutual interest to the philanthropic sector and lawmakers;
  - Increase awareness about legislative issues affecting foundations, such as changes to donor-advised funds and supporting organizations.