

# 2022 IPA Public Policy Agenda

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Approved by IPA Board of Directors December 3, 2021



Indiana's philanthropic sector plays an important role in promoting and supporting the quality of life in this state. More than 1,500 family, independent, community, and corporate foundations; corporate giving programs; and other grantmaking entities annually distribute more than \$1.7 billion to support a broad range of health, educational, cultural, human service, environmental, and other causes, with 76% going to Indiana-based organizations.

As a nonprofit membership association of grant makers and individuals supporting philanthropy, Indiana Philanthropy Alliance (IPA)\* strives to be the premier resource for networking, education, information and knowledge, and advocacy on behalf of organized philanthropy in Indiana. IPA recognizes that philanthropy is affected by public policies that relate directly to charitable giving and the nonprofit sector, as well as those policies that relate to issues that are addressed by grantmaking. IPA advances philanthropy by:

- 1. Educating members about public policy issues that can affect the nonprofit sector.**
- 2. Educating public officials about the role of foundations as stewards of resources for the public good to strengthen and improve the health and vitality of communities.**
- 3. Proactively developing relationships with public officials to ensure they recognize organized philanthropy and IPA as key constituents in their decision-making process.**
- 4. And, by advocating for public policies that promote effective philanthropy and build stronger communities.**

# Guiding Principles

IPA'S WORK IN PUBLIC POLICY IS GUIDED BY THESE BASIC PRINCIPLES

## **Education of policy makers about the nature and importance of the nonprofit and philanthropic sectors**

IPA builds an informed and supportive community of policy makers through regular dialogue, education, information, and advocacy; and will work with others in the nonprofit and philanthropic sector to advance this goal.

## **Effective management and governance of foundations and corporate giving programs**

IPA supports public policies that promote effective management of charitable resources and supports values of transparency and ethical conduct, responsible philanthropy and corporate giving, and reasonable access to information. IPA encourages voluntary efforts of self-regulation within the sector and supports appropriate external enforcement agencies for nonprofit compliance and oversight.

## **Necessity of an advocacy role for the nonprofit community**

Advocacy, within certain constraints, is legal for nonprofit organizations and conducive to an informed, healthy, and strong democratic society. IPA supports the advocacy rights of nonprofits and believes that they can and should participate in public policy dialogue that affects their organizations, communities, and the people they serve. IPA supports public policy efforts that safeguard these advocacy rights without undermining the public's trust in the nonprofit sector as nonpartisan community problem-solvers.

## **Supportive tax policy for private foundations and public charities**

IPA supports tax policy that encourages the growth, maintenance, and vitality of private foundations and public charities.

## **Preservation of charitable deductions and strengthened tax policy supports for nonprofit organizations**

IPA supports the preservation of charitable deductions as an important tool to encourage taxpayer contributions to nonprofit organizations. Respecting donors' choices, IPA supports tax policies that broaden the incentive for all donors to give to charities of their choice without influence, restriction, or inequitable treatment.

## **Building stronger communities**

IPA recognizes that systemic community change requires partnership with government and other leaders, leveraging resources and public authority in order to understand complex problems and scale promising solutions. In service of building stronger communities, IPA educates members about policies that impact quality of life, provides opportunities for members to convene with policy makers, and supports member affinity groups or initiatives that address specific community needs.

*\*IPA is a membership organization, separate and distinct from our individual members. As such, we represent philanthropy in Indiana, not necessarily the views of any one member. We work to educate our members to understand the limitations of their lobbying under the law as it pertains to Private and Public Foundations.*

## 2022 Public Policy Positions

The following are specific areas of public policy IPA will monitor, offer perspective, and when appropriate, take active policy positions when discussing with elected officials at the local, state, and national levels during 2022.

IPA will continue to work with its membership to inform and educate Indiana's elected officials about the important role that Indiana's philanthropic community serves to enhance Indiana's communities and positively impact the lives of all Hoosiers. IPA will continue advocating for policies that promote effective philanthropy and build stronger communities.

# Tax & Regulation Policy

## Charitable Deductions

**POSITION:** Support making the charitable deduction available to all taxpayers, regardless of their tax rate or whether they itemize, to incentivize and recognize the giving of all Americans.

**RATIONALE:** The enactment of the 2017 Tax Cuts and Jobs Act (TCJA) eliminated the standard deduction for charitable giving. According to the 2021 Giving USA Report, total charitable donations rose 5% to \$471.4 billion. It helped, the report said, that the S&P 500 rose more than 16% by the end of the year and that personal income rose as the government rolled out stimulus spending, including checks sent directly to Americans.

The COVID-19 crisis has changed charitable giving options for individuals. In 2020, Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES), a COVID-19 stimulus package to provide immediate assistance for nonprofits, small business owners, and benefits for individuals. The CARES Act raised the limit on cash contributions to public charities (other than donor-advised funds) to 100% for 2020. The TCJA previously capped the deduction for cash contributions to nonprofits at 60% of an individual's adjusted gross income. The CARES Act incentivized individuals to give and could potentially result in an increase in total giving for the 2020 year. Giving during the first quarter of 2021, compared to first quarter of 2020, increased by 6%. Even more notable, there was a 10% rise in donors during Q1—a record level for first quarter numbers during the ten years of FEP data.

**IPA will continue to monitor this issue to assess the potential impact on charitable giving.**

## Promotion of Charitable Giving

**POSITION:** Support income tax credits, deductions, and other vehicles that provide an incentive for increased charitable giving.

**RATIONALE:** In keeping with IPA's mission to champion, support, and connect members as they transform Indiana through effective philanthropy, we support efforts that increase the availability of grantmaking funds. We specifically support legislation that provides a tax credit against adjusted gross state income tax liability for donations to a qualified endowment fund at an eligible Indiana community foundation.

## IRA Charitable Rollover

**POSITION:** Support enhancing the IRA charitable rollover by dropping the age threshold and expanding the organizations eligible for transfer of the IRA distribution to donor-advised funds, supporting organizations and private foundations.

**RATIONALE:** IPA A has actively supported extending and expanding the IRA charitable rollover since its inclusion in The Pension Protection Act of 2006 (PPA). PPA allowed taxpayers ages 70 ½ or older to transfer up to \$100,000 annually from their IRA accounts directly to charity without first having to recognize the distribution as income. This provision was made permanent in legislation passed by Congress—*Protecting Americans from Tax Hikes (PATH) Act of 2015*. However, current statute prohibits contributions to donor-advised funds, supporting organizations, and private foundations.

As of 2020 the statute still prohibits contributions to donor-advised funds, private foundation, and some charities. However, the 2020 CARES Act waives the normally required minimum distributions waiver from retirement plans and IRA accounts. The Setting Every Community Up for Retirement (SECURE) Act became law December of 2019 and has new implications for charitable giving through IRA contributions. The Act requires the withdrawal of an inherited retirement fund within ten years which results in the size of distributions. The age for required minimum distribution from an IRA increased from 71½ to 72 years.

## Federal Estate Tax

**POSITION:** Closely monitor any legislation that proposes elimination of the federal estate tax to consider impact on charitable giving.

**RATIONALE:** In 2020, the IRS made minor changes to the Tax Cuts and Jobs Act of 2017 to adjust for inflation. For 2021, an inflation adjustment has lifted it to \$11.7 million per individual and \$23.4 million per couple. For 2020 and 2021, the top estate-tax rate is 40%. The increase in the exemption is set to lapse after 2025. But the Treasury Department and the IRS issued “grandfather” regulations in 2019 allowing the increased exemption to apply to gifts made while it was in effect if Congress lowers the exemption after those gifts.

As a practical matter, about 99.9% of all estates will NOT owe any federal gift/estate tax. However, many charity experts say the estate tax is a major incentive for wealthy people to give away their fortunes, and its elimination would hit big institutions like hospitals and universities especially hard because they rely the most on large bequests from wealthy donors.

An analysis (<https://bit.ly/2KYU3BS>) by the Center on Budget and Policy Priorities, a Washington think tank, found that just 50 small businesses and small farm estates would have faced the estate tax in 2017. A 2004 Congressional Budget Office study found that eliminating the estate tax could result in a decline of charitable contributions of up to 12%. Getting rid of the estate tax would cost the U.S. Treasury nearly \$270 billion in lost revenue over 10 years.

## Tax Issues

**POSITION:** Continue to promote tax exemption for nonprofits. Increasingly throughout the nation, local and state governments are imposing a variety of fees and special taxes impacting the nonprofit community. IPA will closely monitor state and local legislation that would extend Indiana sales or property taxes, or user fees in lieu of taxes, to nonprofit 501(c)(3) organizations.

**RATIONALE:** There are several historic reasons for providing tax exemptions to nonprofits. Changes in tax policy should be made only on a demonstration that these rationales no longer apply:

- *Fairness* argues that the tax exemption compensates nonprofits for the resources and opportunities that are closed to them by state and federal regulations.
- *Market gaps* argue that the tax exemption is in recognition of the fact that there are some goods and services that the market cannot supply.
- *Subsidy* argues that nonprofits serve minority interests that are not sufficiently served by government action, and which government would have to provide if the nonprofit sector did not.
- *Regulation* argues that the special regulatory treatment of nonprofits is in return for special tax treatment.

## Donor-Advised Funds (DAFs)

**POSITION:** Promote the availability of donor-advised funds as a viable charitable giving vehicle (with operating policies that are consistent with National Standards for Community Foundations). Support legislative reforms for DAFs that help to promote ethical and accountable management of the charitable resources in these funds for the public good, without compromising the privacy of the donor, and oppose legislative reforms that inhibit or diminish the reasonable growth and effectiveness of donor-advised funds

**RATIONALE:** Donor-Advised funds (DAFs) are a unique philanthropic tool that allows donors to establish charitable funds at institutions, such as community foundations, and remain involved in supporting the issues and causes they care about. When a DAF is established, donors relinquish personal control of the funds to the community foundation, which then oversees and manages these funds on behalf of the families, groups, or individual donors. All funds distributed from these DAFs must be used for qualified, charitable purposes.

Under current law, public charities (including community foundations) are permitted to establish accounts to which donors may contribute and provide advice or recommendations with regard to distributions from the fund or the investment of assets in the fund. Such accounts are commonly referred to as “donor-advised funds” or DAFs. Donor-advised funds are powerful tools—both for average people who want to make lasting commitments to their communities, as well as those with significant financial resources who are looking for an alternative to a private foundation.

## Private Foundation Distribution Requirements

**POSITION:** Support an appropriate payout level for private foundation distributions that allows for the availability of funds for distribution in perpetuity.

**RATIONALE:** Proposals to increase the required distribution by private foundations beyond the current 5% IRS regulation or to change the types of expenses that are allowed to be included in the calculation have been considered by Congress in recent years. Current tax reform proposals do not include such language, but IPA will continue to closely monitor legislation as it moves forward. Previous national studies have shown that a 5% payout is optimum for supporting the long-term position of a foundation and ensuring the availability of charitable grantmaking for the future. Some foundations choose “sunset” provisions that direct the full distribution of assets within a selected time-frame, but **such policies should be the decision of the foundation’s governing body, not imposed by Congress.**

## Protection of Endowments

**POSITION:** IPA will work with policy makers to support current laws protecting and promoting endowments within the philanthropic sector.

**RATIONALE:** IPA believes that, through their philanthropic endowments, foundations are able to operate with a longer-term focus. Foundations thrive when policies allow them to be agile, autonomous, and different from government and business sectors. The perpetuity of endowments ensures that private resources will continue to be available to address difficult social issues and the evolving needs of society, especially when other resources may not be available. Policy makers should preserve foundations' ability to advance their charitable missions and should acknowledge the importance of philanthropic endowments, recognizing that these endowments are critical to sustain communities. They help underwrite long-term support of charitable institutions, use public and private resources, and provide a base for the development of new and effective philanthropic tools that will support the charitable sector in the future.

## Donor Disclosure

**POSITION:** IPA will work with policymakers to support laws and policies protecting donor privacy.

**RATIONALE:** Donor privacy is critical to the protection of philanthropic freedom—the right of Hoosiers to choose how and where to give their charitable gifts in order to fulfill their diverse missions. Unwarranted state and federal incursions into private charitable giving will chill the exercise of First Amendment freedoms. Donor privacy protects those who choose to give anonymously for a variety of good reasons, including deeply held moral or religious beliefs, a sense of humility, a wish to lead a more private life, and the desire to minimize solicitations from other organizations.

States have been the most active front in the battle to protect donor anonymity. In 2020, 15 states have considered legislation that would threaten the privacy of donors to 501(c)3 organizations. On the other side, seven states advanced donor-privacy protections this year, with four of them—Louisiana, Oklahoma, Utah, and West Virginia—enacting them into law.

Federal law requires the IRS to collect “the names and addresses of all substantial contributors” (typically, those who contribute \$5000 or more) to tax-exempt organizations. A tax-exempt organization is generally not required to disclose publicly the names or addresses of its contributors set forth on its annual return. The regulations specifically exclude the name and address of any contributor to the organization from the definition of disclosable documents. Contributor names and addresses listed on an exempt organization's exemption application are subject to disclosure, however. This general exclusion for contributor information on annual returns does not apply to private foundations, or to political organizations described in section 527 of the Internal Revenue Code.

However, some efforts by Federal lawmakers have been made to target the 990 Schedule B for disclosure. In November 2014, Senator Jon Tester of Montana filed legislation that would require the IRS to make available upon request and put online the 990 Schedule B of any organization that “has or plans to spend money attempting to influence the selection, nomination, election, or appointment of any person to a public office.”



# Nonprofit Regulation

## Nonprofit Regulation

**POSITION:** Support public policies that promote effective management of charitable resources, appropriate transparency, ethical conduct, responsible philanthropy and corporate giving, the diversity and independence of the sector, and reasonable access to information without placing undue or unreasonable burden on nonprofits.

**RATIONALE:** IPA encourages **voluntary efforts of self-regulation within the sector** and supports appropriate external enforcement agencies for nonprofit compliance and oversight. Government-imposed requirements on foundations for specific collection of data based on certain demographic information, for example, are overly burdensome without providing a meaningful assessment of the impact of the organization's work.

## Nonprofit Advocacy

**POSITION:** Support the rights of charitable organizations to continue their involvement in public policy debates. Oppose additional limitations on the ability of nonprofit organizations to participate in the public policy process, including legislation or rules that:

- place more burdensome reporting and disclosure on nonprofits than on business or governmental bodies;
- restrict the ability of nonprofit agencies that apply for or receive government funds to use non-governmental funds to conduct nonpartisan advocacy, lobbying, or other legitimate program activities that further their charitable missions;
- unnecessarily limit public policy input on the part of nonprofit organizations that would otherwise be allowed to participate in public discourse.

**RATIONALE:** Advocacy, within certain constraints, is legal for nonprofit organizations and is conducive to an informed, healthy, and strong democratic society. IPA supports the advocacy rights of nonprofits and believes that nonprofits can and should participate in public policy dialogues that affect their organizations, communities, and the people they serve.

## Nonprofit Cemeteries

**POSITION:** Support legislation to amend the tax code to recognize nonprofit cemeteries as public charities.

**RATIONALE:** 501(c)(13) cemeteries, which can receive tax-deductible contributions from every living American, cannot receive estate gifts or gifts from public and private foundations. Community foundations, which manage endowments benefiting public charities, cannot hold designated funds or endowments for these cemeteries. There are over 12,000 of these 501(c)(13) cemeteries in existence in the U.S., with Indiana ranking 6th in the nation with 523 of them.

Allowing nonprofit cemeteries to be recognized as public charities would benefit community foundations by:

1. Allowing community foundations to hold designated funds for the nonprofit cemeteries
2. Allowing community foundations and private foundations to make grants to nonprofit cemeteries without exercising expenditure responsibility; and,
3. Allowing contributions to these cemeteries to be eligible for estate and gift tax deductions.

In addition to these benefits for community foundations, there are several other benefits to recognizing nonprofit cemeteries as public charities:

- Baby Boomers are more connected to hometowns than successive generations and more inclined to support these cemeteries by building endowments and securing their future operations.
- Simplification of the tax code by creating parity for 501(c)(13) cemeteries across all sections of the tax code listing deductible charities.
- The Congressional joint Committee on Taxation found the 10-year loss of federal revenue as a result of this legislation would be less than \$2 million. This change would have a negligible effect on federal revenues while continuing to allow charitable dollars to flow towards charities.
- Nonprofit cemeteries would be less reliant on local, state, and federal dollars.

# Community Issues

## Early Childhood Education

**POSITION:** IPA supports access to high-quality early childhood education programs and will work in partnership with strategic partners to educate public officials about the role of philanthropy in supporting early childhood education and subordinate programs combating education gaps and barriers to access. IPA supports efforts to define quality around learning outcomes.

**RATIONALE:** Individual Hoosier communities are very different, and as a result need variety in their response, strategy, and approach to providing early childhood education to their communities. IPA members support organizations providing high-quality early childhood learning programs and services, increasing the quality of life for all Hoosiers; however there is an inconsistency to what defines a quality program despite the PATHs to Quality rating system. IPA believes public investments should be prioritized to define quality around learning outcomes and policy efforts should better leverage and align the funding in appropriate ways to support quality programs.

IPA recognizes early childhood to be 0-8 years old. The benefits of a quality statewide pre-K program include both short- and long-term gains for society as a whole, such as increased school readiness, alleviation of the burden of childcare costs on families, higher graduation rates, and lower incarceration rates. Long-term studies by the Upjohn Institute showed the participants had stronger gains in language comprehension; early literacy skills, including word decoding; self-regulation; mathematics; and overall school readiness than children who attended lower quality-rated centers during their preschool year. In addition, the Perry Preschool Project, which followed children into adulthood, found students who completed high-quality preschool programs realized significant long-term benefits, including a 44% higher high school graduation rate, a 50% lower rate of teen pregnancy, and a 46% lower rate of incarceration. These are all positive outcomes which members of Indiana's philanthropy community work to impact through funding and leadership.

## Post-Graduation Scholarships

**POSITION:** Support allowing foundations to administer post-graduation scholarship programs to promote talent attraction and retention in communities by providing student loan forgiveness to college students after graduation.

**RATIONALE:** A post-graduation scholarship is a type of charitable grant that foundations would make to attract individuals who have career skills needed in a particular region, encouraging them to make their homes and build their careers in that community. It would function much like a traditional scholarship but would pay off a portion of student loans held by an individual who has completed a degree or technical program that qualifies them to work in a chosen career field needed in a community. As with traditional scholarships, these programs would establish eligibility

requirements as well as a process to verify that those requirements continue to be met throughout the duration of the scholarship award agreement, and the payments would likely be made directly to the loan provider, not to the individual. Foundation grants made for a charitable purpose are already exempt from income tax for the recipient—whether it is a grant to an individual as a scholarship, or a grant to any other entity for a charitable purpose. In some cases, the scholarship might only cover a fraction of an individual’s student loans, leaving the individual responsible for paying any remaining amount.

## Workforce Development

**POSITION:** IPA supports efforts to identify and target high demand jobs and attract, retain, and educate Indiana’s current and future workforce. Too often, workforce systems are duplicative and inefficient. IPA supports efforts to best utilize limited resources.

**RATIONALE:** Healthy, dynamic economies require thriving populations. However, Indiana remains a net out-migration state. Over the last decade, 80% of Indiana’s population growth (6M to 6.4M) is attributable to the birth rate outpacing the death rate. Despite boasting some of the country’s most respected universities, talented people continue to move out of Indiana in favor of Southern and Western states, which claimed 84% of the nation’s population growth through the past decade.

Within a community, the interactions among people, places, and things determine its quality of place and vibrancy. Concentrating efforts on continuously improving quality of place, while maintaining traditional economic development efforts, is a proven formula for attracting and retaining talent.

Lumina Foundation has set a nationally accepted target that 60% of all Americans obtain a college degree or high-quality credential by 2025. Indiana falls behind at 48.3% attainment.

According to a 2017 study by the National Skills Coalition, Indiana has an 11% gap between the number of middle-skill jobs and the number of people trained to perform those jobs. With 76% of Hoosier jobs requiring a post-secondary education, Indiana must rise to the challenge of preparing our workforce to ensure economic opportunity for our citizens. Philanthropy plays a role in supporting those efforts.

The ability for citizens to earn a living is a basic building block of society. Recognizing the economic health of many communities relies on a trained workforce, access to childcare, and affordable workforce housing, IPA members fund a myriad of programs aimed at helping people receive workforce training for current and future jobs needs. IPA supports efforts by policy makers to increase awareness and support of workforce and education programs aimed at attracting, educating, and retaining workers.

## Broadband Access

**POSITION:** IPA supports the expansion of broadband internet services throughout Indiana and programs to address affordability for those unable to adopt broadband use for education, telehealth, and to maintain employment.

**RATIONALE:** Access to and use of broadband internet is essential to modern quality of life for Hoosiers. Broadband or high-speed internet access allows users to access the internet at significantly higher speeds than those available through other services, as defined by the Federal Communications Commission (FCC).

According to the CDC, telehealth services can facilitate public health mitigation strategies during this pandemic by increasing social distancing. These services can be a safer option for HCP and patients by reducing potential infectious exposures. They can reduce the strain on healthcare systems by minimizing the surge of patient demand on facilities and reduce the use of PPE by healthcare providers.

A July 2020 Ball State study found that up to 85,000 Hoosiers students did not have internet, either due to lack of access (primarily rural areas) or to lack of adoption (mostly in urban areas of the state, including the city of Indianapolis and Northwest Indiana) at their homes. Households with school-aged children that were less likely to have internet access included single-parent households, households with parents not in the labor force, low-income households (with incomes less than \$25,000), and households that do not speak English at home.

In Spring of 2021, Indiana Chamber surveyed employers across the state—20% of respondents said at least 50% or more of jobs roles could be accomplished remotely. 37% of Hoosier employers have developed a remote work policy.

IPA members support efforts to increase awareness of programs aimed at increasing adoption of available technology for low income families and want to ensure current subsidies for additional infrastructure are targeted to unserved areas first and not to areas where there is already infrastructure in place.

## Racial Equity

**POSITION:** IPA supports public policies that address disparities and are equitable for all Hoosiers, regardless of race.

**RATIONALE:** IPA recognizes that our society is challenged to overcome racism. Discrimination is a powerful driver of unequal individual and group outcomes.

Research has documented that higher rates of poverty, unemployment, poor housing and toxic environmental exposure, as well as less access to quality medical care contribute to poor overall

health in minority communities. Black women are up to four times more likely to die of pregnancy related complications than white women. Black men are more than twice as likely and Latino men are between 1.3 and 1.4 times more likely to be killed by police than are white men. And the average life expectancy of African Americans is four years lower than the rest of the U.S. population.

IPA members recognize the need to engage all people in community life and to pay particular attention to the results of racism, particularly in the areas of education, employment, health. For any community to be truly healthy, the health and wellbeing of all its members must be addressed and efforts to include everyone in the “benefits of community” must be undertaken proactively. IPA believes that meaningful progress on advancing racial equity will have significant positive impact on challenging other societal inequities.

## State Budget

**POSITION:** Monitor and, if necessary, take action on state proposals that shift financial responsibility for needed programs to philanthropy, that alter the state budget in ways that place unfair or undue burden on nonprofits and communities, or that unduly dismantle the state’s responsibility for investing in local communities. Work in partnership with nonprofit allies to actively educate public officials about the role of philanthropy and the capacity of philanthropy.

**RATIONALE:** State budget cuts to both government services and nonprofits put tremendous pressure on foundations and nonprofits alike. In order to manage expectations about philanthropy’s ability to fill gaps created by state budget cuts both in government services and in grants to nonprofits, a proactive strategy to develop productive relationships with public officials is warranted. It is critical to obtaining positive outcomes for the larger community, as well as the nonprofit and philanthropic sector.