

MINUTES

GOVERNOR'S TASK FORCE ON ENDOWMENTS AND PHILANTHROPY

Northwest Power Planning Council Conference Room
February 13, 2003

Present:

Sue Talbot (chair)	Aidan Myhre
Barbara Anthony	Dennis Peterson
Dale Burgeson	Clark Pyfer
Cheri Burns	Linda Reed
Linda Coulston	John Scibek
Amy Kelley	Jim Soft
Mark Kelley	Judy Wing
Tim McCauley	Ralph Yeager
Galen McKibben	

APPROVAL OF JANUARY MINUTES

Sue asked whether any corrections need to be made to the January minutes. Dale moved that the minutes be approved as distributed. Dennis seconded the motion. All approved by voice vote.

FINANCIAL REPORT

Ralph handed out the most recent financial statement for the Task Force, showing a beginning fund balance of \$4,535.56 with \$6,500.00 in new revenues and \$3,537.95 in expenses leaving an ending fund balance of \$7,497.61 as of January 31st. Contributors included the University of Montana Foundation, Sidney Health Center, Wells Fargo, Benefis Healthcare Foundation, Yellowstone Boys and Girls Ranch Foundation, Northern Rockies Cancer Center, Sheridan Health Care Foundation, St. Peter's Hospital Foundation, and North Valley Hospital. Dennis reported that contributions should be arriving shortly from Billings Deaconess Hospital and Billings St. Vincent's Hospital. Jim reported that a contribution is on its way from DA Davidson. Judy Wing will follow up with the hospitals in Missoula. Ralph will follow up with the Diocese.

Sue reported that she has sent thank you letters to all contributors, and noted that she is asking each donor to contact their legislators about the tax credit bill.

Linda noted that this balance does not reflect a recent \$2,500 expense to the Gallatin Group for Aidan's services. She added that that Task Force should not be complacent about fundraising to date, as other expenses remain, including payment for Aimee Grmoljez, the second lobbyist. She also noted that MCF has been footing the bill for the weekly conference calls for the Task Force legislative subcommittee, and will continue to do so as long as possible, although it is not an insignificant expense.

WEB SITE

Galen has posted on the EndowMontana web site a 1-page summary of bills in the 2003 Legislature of interest to the charitable community. He has hyperlinked each bill to the bill status page on the Legislature's web site. Dale commented that he really liked the format. Dennis agreed, and noted that he's received a lot of

compliments on it. Sue asked Linda whether she has been mentioning the EndowMontana web site in the e-correspondences that have been going out. Linda said she has not been doing that, but will from now on.

Galen also reported that he has added a feature to allow people to sign up to receive the e-alerts from MCF. He set it up so that MCF receives the signups directly. Linda said they've received quite a few, and Amber Maloney is adding to the list regularly.

COMMUNICATIONS

Linda reported that she has been trying to make a distinction between the e-mails she sends out that are "commentary" vs. "official Task Force correspondence." She said that the list is about 600 people/organizations now, and that she spends about a half-day responding to e-mails immediately following an e-mailing. She thought that was a good sign that the alerts are being read. She reported that the Montana Arts Council has been forwarding the alerts to their constituency as well, which means there has been at least some "multiplier effect" in play. Linda said that if anyone has contacts for other such networks, pass them on and she will write them about forwarding the information to their constituencies.

HEARINGS ON BILLS OTHER THAN THE TAX CREDIT

Linda reported that Rep. Balyeat's bill ([HB 398](#)), which would revert the endowment tax credit back to the level enacted by the 2001 legislature but also would include outright gifts to scholarship and financial aid programs, had a hearing. No executive action has been taken. She noted that the fiscal note on the bill is interesting, and says that the bill may be unconstitutional. It also notes that the bill would change the definition of "planned gift" to include these outright gifts.

Sen. Bohlinger's [SB 143](#), the Insurance Commissioner's bill to exempt from regulation certain charities that issue charitable gift annuities, passed the Senate and is now in the House. Linda was uncertain who would be carrying the bill in the House, but will let people know when she finds out. Both Linda and Jim thought that there still is a fair amount of misunderstanding in the Legislature about what a charitable gift annuity is and why the law is necessary, and suggested that we continue to support the Insurance Commissioner's bill by getting information out to people as to why it is a good bill. Linda said that she would write a briefing sheet on the bill and send it to Amy to distribute to the Task Force membership.

The two bills being carried by Sen. Brent Cromley, [SB231](#) (the Uniform Principal and Interest Act) and [SB230](#) (the Prudent Investors Act), are moving quickly through the process with little or no opposition. Linda said that the Task Force is not actively participating in that process.

Linda reported that she'd sent out a notice about Vicki Cocchiarella's [SB 152](#), which would revise special permits to sell alcohol at special events. She feels it would have an adverse and unfair impact on nonprofits' ability to hold successful fundraising events.

Sen. John Cobb's bill to disallow most tax deductions and credits for two years, [SB 379](#), would not alter the tax credit statutes at all. (NOTE: The bill was heard on Feb. 18 in Senate Taxation Committee, and the current status is "Indefinitely Postponed in Committee.")

John noted that Sen. Joe Tropila's flat tax bill, [SB 338](#), includes the endowment tax credit in the list of statutes it changes, but John's assessment is that it wouldn't affect anything.

There was some discussion about other bills that various people are watching, including several bills that address telemarketing. Linda said that she would look at those bills and send a message to the Task Force summarizing them.

ENDOWMENT TAX CREDIT

Aidan reported that she'd just come from a meeting with Sen. Cobb, who told her that he'd intentionally omitted the endowment tax credit from the list of tax deductions and credits his bill would suspend. She said that his primary motive was to get legislators and others to think about these financial issues, especially as the Governor is proposing a tax cut.

Aidan reported that the bill draft that Rep. Cindy Younkin filed as a placeholder for the Task Force was now a bill, [HB 616](#), which would restore the tax credit for contributions to a qualified Montana endowment to the levels effective January 2002 (i.e. keeping the changes enacted by the 2001 legislature, but overturning changes enacted in the 2002 Special Session). Those are:

- 40% for individuals and estates making planned gifts
- 20% for corporations, S-corporations, partnerships, and limited liability companies making out right gifts
- Up to a maximum credit of \$10,000

Aidan thought that the bill would be scheduled for a hearing the week of February 24. She noted that the bill title was broad enough that minor changes could be made if needed. She said that the fiscal note is being drafted, but that the fiscal impact should be similar to Rep. Balyeat's bill.

NOTE: The bill had a hearing on February 18 before the House Taxation Committee, which took executive action on it the following day, voting it out of committee on a 17 to 1 "do pass" recommendation. The following is the e-alert that was sent out describing the hearing:

HB 616, Rep. Cindy Younkin's measure to restore the Tax Credit for Endowed Giving to its pre-Special Session 2002 status (40% credit for individuals, 20% credit for entities, with a maximum credit of \$10,000 annually) was heard before the House Taxation Committee this morning. The bill received a good hearing, with Rep. Younkin making an excellent case for restoring stability to tax policy as it relates to the Tax Credit, as well as achieving a level of balance between lost state revenues and significant increases in permanently endowed funds.

Representatives of 16 organizations signed in as proponents of HB 616; there were no opponents. Testimony was presented by the Governor's Task Force on Endowments and Philanthropy, Yellowstone Boys and Girls Ranch Foundation, Intermountain Children's Home, Montana Community Foundation, St. Peter's Hospital Foundation, Montana Hospital Association, Energy Share, Montana Society of CPAs, and others.

Questions by committee members focused on why charities are willing to forego the upcoming temporary increases in the Tax Credit (under current legislation, from July 1, 2003 to April 30, 2004, the credit is 50% for individuals, 26.7% for entities, with a maximum credit of \$13,400). Rep. Younkin and Task Force members Aidan Myhre and Jim Soft explained that this willingness is based on the desire for stability on the part of charities, donors, and members of the financial community who advise clients on charitable giving. Additionally, Task Force members stressed that the current budget crisis demands responsible action from the philanthropic community, and in that regard, recommended passage of HB 616 as a means of avoiding the "spike" in lost state revenues that would result from the short-term high rates and maximum credit.

There was some discussion about organizing support for Younkin's bill, and who might be able to testify on behalf of various Montana nonprofits that have benefited from the endowment tax credit during a time when government spending on human services is being further cut. Galen said that he would reproduce the map that is on the EndowMontana web site into poster size, to clearly show the number and geographic range of Montana nonprofits with endowments.

NEXT MEETING

It was tentatively agreed that the next meeting would be held on **Thursday, March 13, from 10 AM to 2 PM at the Northwest Power Planning Council**. Amy will notify members if this date changes.

Meeting adjourned at 2 PM.