

MINUTES

GOVERNOR'S TASK FORCE ON ENDOWMENTS AND PHILANTHROPY

Northwest Power Planning Council Conference Room
March 10, 2004

Present:

Sid Armstrong	Jim McKeon
Steve Browning (phone)	Galen McKibben
John Delano	John Scibek
Fran Galvin	Jim Soft
Spence Hegstad	Peter Sullivan
Amy Kelley	Judy Wing
Mark Kelley	John Eastman
Brian Magee	Mike Schectman
Tim McCauley	

APPROVAL OF FEBRUARY MINUTES

Sue Talbot could not attend the meeting; John Scibek took on the role of Chair in her stead. He asked if anyone would like to see changes made to the February minutes. Jim asked to clarify the paragraph pertaining to the CARE Act, and submitted the following paragraph (page 8, paragraph 1) to Amy:

...The reason: the argument will be that it is too expensive (\$12 billion revenue loss) in light of growing budget deficits and the war. The holdup has to do with the democratic leadership in the Senate preventing the bill from going to Joint Committee.

Hearing no other requests for changes, Spence moved that the minutes be approved as changed. John seconded the motion. The group voiced unanimous approval. Amy will make Jim's change, and forward the revised minutes to Galen for posting on the web site.

FINANCIAL REPORT

Ralph was unable to attend the meeting because of a computer system crash at the Montana Community Foundation. He will e-mail to Amy the current financial report, as well as a revised Development Plan, as soon as he is able, which Amy will forward to the group.

PRESENTATION BY MIKE SCHECTMAN

Mike had requested permission from Sue Talbot to present to the Task Force the concept paper for the "Montana Nonprofit Sector Critical Capacities Project." He handed out the paper to those in attendance; Mike will e-mail the draft to the rest of the Task Force membership. He asked for feedback from the group on the draft. He explained the primary focus of the project as building consensus on what critical capacities are needed to support a strong nonprofit sector in Montana, which would then be used as a blueprint for development. **He asked that those willing to comment on the concept paper do so by March 31st, and submit those comments to Amy at aok@mcn.net.** Amy will compile them and forward them to Mike.

John Scibek asked Mike where he thought the Task Force might specifically be involved in the project. Mike thought that participation in the "Critical Capacities Commission" would be important. When the project starts going into depth defining exactly what those capacities are, he would also like input from the TF. He noted that the Big Sky Institute for the Advancement of Nonprofits wants to facilitate the effort, but not lead it. He thought that

Brian and the Montana Nonprofit Association would do part of that, but that the TF would also be helpful in identifying where the leadership might come from.

John asked the members present their inclination as to whether or at what level the Task Force should be involved in the project, and whether it would be better to be involved as a group or as individuals. Judy said that her inclination is to work together, but in the interest of time she thought the members should review the concept paper individually, sending comments to Amy, and then revisit the involvement of the whole at a later time. All agreed. **Mike reiterated that he'd like to have comments to Amy by March 31st.**

CARE ACT

Jim reported that the CARE Act (SB 476) remains stalled, and that every day that passes puts it more in jeopardy (the Senate passed the bill, which offers tax breaks to encourage more charitable giving, in April and has been unable to go to conference with the House-passed version, H.R. 7). Senators Lieberman and Santorum plan to amend the JOBS (Jumpstart Our Business Strength) Act (SB 1637) with the CARE Act. They are fairly confident that the JOBS Act, which repeals the extraterritorial income exclusion bill, among other things, will pass. However, John pointed out that all of the proposed revenue offsets (to offset the CARE Act's \$12 billion cost) have already been used for other purposes.

Jim Soft said that we need to encourage this amendment, and that it is critical that we let our Senators know their help is needed to make the amendment stick. Steve added that the JOBS Act is expected to come up the week of March 22nd. Jim moved that the Task Force send a letter in support to Senators Baucus and Burns. Sid seconded the motion. There was unanimous agreement on this.

MONTANA ENDOWMENT TAX CREDIT

Jim noted that an issue has come up recently in the Bozeman area that highlights a discrepancy between the Montana law and federal law pertaining to the tax credit. On the federal level a pass-through entity (S corps, Partnerships, or LLCs) can make a tax-deductible gift. The Montana law says that the credit claimed must be attributable in the same proportion as the income reported by the partnership (e.g. if one partner owns 60% of the business and the other 40%, then the credit must be divided 60/40 as well). Since the Montana tax credit hinges on federal law, Jim thought that at some point down the road the disparity will need to be rectified through the Montana tax credit's administrative rules.

John Scibek introduced Jim McKeon to the group. Jim is the Income Tax Specialist for the Montana Department of Revenue. John noted that Jim has been very instrumental in listening to questions about the tax credit's administrative rules, and has been involved in writing them. Jim McKeon said that he wasn't totally familiar with the problem Jim addressed, but he will look into it.

Jim McKeon announced that there will be an administrative rules hearing pertaining to all Montana tax credits (there are more than 20) on **March 25th**. They are reorganizing the tax credits into one MCA subchapter so that they will be easier to locate and identify. He said that the hearing is posted on their website:

http://discoveringmontana.com/revenue/css/5foryourreference/02administrativerules/upcoming_events_prop_rule_changes/rules_hearing_proposal_notices.asp

MAR Notice No. 42-2-731, Adoption, amendment, amendment and transfer, transfer and repeal of rules relating to tax credits, incentives, and exemptions, as found in Chapters 4, 15, and 23, Title 42, Administrative Rules of Montana. Hearing [March 25, 2004 at 1:00 p.m.]. Close of comment March 26, 2004.

Mark asked what happens after the hearing. Jim explained that the administrative rules enforce the law. After the hearing, they are open to public comment for 30 days, at which time the rule becomes law. Jim Soft likened it to a regulation on the federal level. Jim McKeon encouraged TF members to submit comments on the proposed rules.

DEVELOPING THE MESSAGE

Sid explained the context for the discussion. She chaired the subcommittee that drafted an action plan aimed at making philanthropy and the Task Force part of the public policy agenda in the state, and specifically getting it on the agenda of the candidates for public office. Part of the plan was about developing the specific message, and then delivering it to the candidates and the incoming governor. She said that Steve Browning took charge of putting together the first draft of that message, which she handed out to the members present along with text from the EndowMontana web site about the history of the Task Force—pieces of which she thought might be added to the message. John said Sue had described “the message” as a “script” that the TF could use in speaking with candidates: concise, 3-4 main points, something that could be turned into a 1-page handout with graphics on the back for those who are more visually oriented.

Steve said he tried to keep it to one page, using materials from Sid’s action plan, Ginny Tribe’s notes, and the EndowMontana website. His understanding coming out of the strategic planning session with Ginny was that most people want to focus on the next “big hit” now that the tax credit is in place. He thought this piece should first describe our mission (what we want to achieve) and then focus on our accomplishments, what our operational needs are, and what are assets are. He noted that if you take away the bulleted points, his draft leaves you with a 4-line “slogan” – something you could put on a billboard.

Since no one had a chance to review the draft before the meeting, Steve went over it with the group:

MONTANA'S 2004 CHARITABLE AGENDA
THE GOVERNORS' TASK FORCE ON PHILANTHROPY IN MONTANA

Our Mission: *Building A Better Montana Through Increased Philanthropy*

- Supporting Healthier Communities in All Corners of Montana.
- Strengthening Montana's Non-Profit Organizations, Charities and Churches.
- Expanding Educational Improvement Through Scholarships.
- Building More Sustainable Communities in Rural Montana.
- Enhancing Support Groups for the Elderly and Disabled.
- Relieving Pressures on Local and State Governmental Agencies.
- Recognizing Links between Philanthropy & Economic Development.
- Increasing Support for Gov's Task Force & Raising Awareness of Its Vital Role.
- Educating Montana's Taxpayers & Financial Advisors on Charitable Tax Credit.
- Nurturing Montana's Philanthropic Community.

Our Accomplishments: *A Model State for Promoting Endowed Philanthropy*

- Proposed Nation's Best State Tax Credit for Gifts to Charitable Endowments.
- Worked with MT Governors & Legislatures to Retain MT's Historic Tax Credit.
- Expanded Charitable Endowment Funds in MT from \$100 to \$200 Million.
- Increased Planned Gifts in Montana by at least Tenfold over Past Decade.
- Promoted Scores of Educational Sessions for MT Financial Advisors on Charity.
- Gained Continuing Support from Governors and MT Congressional Delegation.
- Built & Maintained One of Montana's Premier Charitable Websites.

Montana's Philanthropic Needs: *We Still Rank 48th Out of 50 in Endowed Funding*

- Increase Grants in Montana from National Charities & Foundations.
- Educate Montanans About Their Potential Roles in Philanthropy.
- Expand Public Awareness of The Importance of Montana's Charities.
- Get More MT Businesses and Workers Active in Charitable Activities & Giving.
- Activate More Montana Financial Advisors in Promoting Charitable Giving.
- Grow Montana's Philanthropic Pie.

Montana's Philanthropic Assets: *We Have Much, But We Can Certainly Use More*

- Montanans Have Always Been Generous With Their Time & Money.
- Our State & Federal Tax Laws Encourage Expanded Giving To Charity.
- Montana's Businesses Are Critical Financial Supporters of Charity.
- Our Governors, Our Legislatures & Our Congressional Delegation Have Recognized the Importance of Expanding Philanthropy Throughout Montana.
- Governors' Task Force Membership is Established, Balanced, Respected & Viable.
- More and More of Montana's Financial Advisors Are Explaining To Their Clients the Tax Benefits of Charitable Giving.

John Scibek thought Steve's piece was great, and asked the group if they thought it was something they could use in making contacts with candidates. Judy asked for a restatement of what exactly we're asking from candidates. Steve reiterated:

1. reauthorization of the Task Force;
2. including of the message of philanthropy in their campaign platform;
3. making philanthropy and the TF part of the public policy agenda once in office.

Sid agreed that the piece is an excellent start, and perhaps now is a good time to post it on the internet bulletin board Galen set up and get the subcommittee working on fine-tuning it. She thought the one thing that might be added under “accomplishments” is that the TF has successfully brought together leaders from the business, nonprofit, and government sectors. She thought the “Case for Philanthropy” on the EndowMontana website is very good – especially the 5th and 6th paragraphs (below)—and that we might think about reaffirming phrases we’ve used in the past about taking better control over our destiny and building “permanent savings accounts” for communities:

Although Montanans are generous in many ways, among the fifty states, Montana ranks at or near the bottom with regard to per capita charitable giving, number of foundations, size of foundations, and value of foundation gifts granted and received. Montana is home to less than three-hundredths of one percent of all U.S. foundations. It ranks 48th in the nation in foundation assets and 49th in foundation giving. While individual Montanans and Montana businesses give generously for immediate needs, Montana lacks the permanent endowments, common in most other states, that can provide a perpetual funding stream for charitable purposes and create a cushion against catastrophe.

Montana's Endowed Philanthropy Task Force is promoting endowments as a way to build wealth for the state's future and help communities to maintain Montana values. Endowments provide a safety net of funds that can fill gaps as governments at all levels transfer more and more responsibility to local communities. Endowments can enable Montanans to take control of the future of their communities by creating permanent savings accounts that can be used for a wide variety of charitable purposes. Endowments continue to regularly generate money that communities and nonprofit organizations otherwise would not have money that might be used for scholarships, internships, special training, library books, research, day care, or any other charitable need or opportunity.

Sid added that Montana is 48th or 50th in EVERYTHING, not just endowed funding. Steve suggested that Galen post his draft, and that Sid offer her ideas to the discussion, along with anyone else who would participate. He will take all of the comments and rework the message before the April meeting. Sid remembered that Aidan had created a map that showed the number of endowments and charities in each county; John Delano said that it had showed the number of grants received by each county, which she used to explain the tax credit to legislators. That might be used as one of the visuals on the backside of the piece.

ENDOWMONTANA WEBSITE

Sid thought that the website needed a more clear explanation of what the tax credit is and how to use it—something in plain language. John Scibek said he wrote a piece for the U of M Foundation and will forward that language to Galen to incorporate into the website (see **Attachment A**).

Galen walked the group through how to join the bulletin board discussion he set up through the website:

1. Go to www.EndowMontana.org
2. Click on “Governor’s Task Force” at the bottom of the home page
3. Scroll down to find the Gothic “T” in the left margin of the page
4. Register with the bulletin board group
5. Click on the “Message” discussion group to comment on Steve’s draft (there are several discussion lines on the bulletin board now—Galen will create a new one for this purpose)

Sid suggested we put a deadline on this discussion, although noted that members could use the draft points immediately in contacts with candidates. She pointed out that the group hadn’t yet discussed what form the message should take—a professionally printed handout, or should we each create something individually? Steve thought we could do both, but that it would be good to have a printed piece. Amy said she could do that, and

design it to match the 2002 Annual Report she designed previously.

It was agreed that Friday, March 19 would be the deadline for comments on Steve’s draft message. Steve will incorporate the comments into a revised version, which he will forward to Amy by Monday, March 29. Sid and Aidan will send Amy the graphics to incorporate onto the flip side. Amy will create a handout and have it printed and ready to hand out at the April 8 meeting.

DELIVERING THE MESSAGE

John asked for a review of the candidate assignments already made, and to assign members to any additional candidates for statewide office:

- Schweitzer/Bohlinger (Gov.): Sid/Bob Vogel
- Bob Brown (Gov.): Clark/Peter/John Delano
- Pat Davison (Gov.): Aidan/Clark/Jim Soft
- John Vincent/Mary Sexton (Gov.): Sid
- Tom Keating/Matt Brainard (Gov.): Judy Wing (Brainard); Jim Soft/Steve Browning (Keating)
- Ken Miller (Gov.): Jim Soft
- Duane Grimes (Auditor): John Delano
- John Ellingson (Sec. Of State): Judy Wing
- Bill Kennedy (Sec. Of State): Jim Soft/John Eastman
- Todd O’Hare (Sec. Of State): John Delano
- Brad Johnson (Sec. Of State): John Scibek
- Limda McCollough (Supt. Of Public Instruction): Sid
- John Fuller (Supt. Of Public Instruction): John Scibek
- John Morrison (Auditor): Peter S./Aidan

Judy pointed out that multiple contacts would be better than a candidate receiving only one. Sid agreed—she thought the exercise of assigning them was simply to ensure that none are missed. John Scibek suggested we continue the assignments of legislative candidates through the bulletin board. Sid said that the candidate list is constantly being updated on the Secretary of State’s website:

http://sos.state.mt.us/css/ELB/Candidate_Information.asp

John asked if there were any additional issues regarding “delivering the message.” He asked whether we wanted to consider the other constituencies mentioned in the action plan, e.g. “snowbirds.” It was agreed that the members would focus on the candidates for now. Sid will ask Ralph if there are any additional 2002 Task Force Annual Reports left that could also be used in candidate contacts.

Judy shared a contact sheet that can be used by Task Force members to record their candidate contacts (see **attachment B**). Aidan, Sid, and John Delano will put together a handout for the April meeting on how to get in touch with a legislator, how to make the initial contact, and brief talking points.

MEMBERSHIP UPDATE

At the February meeting there had been some discussion about Sharon Hoff or some other member of the Montana Association of Churches being asked to join the Task Force. Amy will follow up with Aidan to find out if she has a recommendation.

MONTANA ENDOWMENT TAX CREDIT

Jim McKeon said that the DOR wouldn’t have the 2003 numbers until November of 2004. He said that the 2002

numbers are posted on their website. He shared with the group the overall numbers of endowment tax credits claimed in 2001 and 2002:

- Individuals (not corporations)—2001: 1956 taxpayers claimed \$7.5 million
- Individuals—2002: 709 taxpayers claimed \$1.7 million
-

He noted that the vast majority were Montana residents, not out-of-staters. There was speculation as to why the drop in credits claimed: the downturn in the stock market, the reduction in the tax credit made by the 2002 Special Session, the fact that so many people already claimed the credit and couldn't do it again. Jim McKeon added that all of the Montana tax credits were down, from \$24 million in 2001 to \$19 million in 2002. John Scibek said that the U of M planned gifts dropped from 48 gifts to 11. He said they were back up in 2003 to about 32 gifts, but the size of the gifts has been smaller.

ENDOW NEBRASKA UPDATE

Sid reported that the Nebraska endowment tax credit bill, modeled on Montana's, was passed out of committee, although the percentage was knocked back to 25% for corporations (she thought the individual rate was still at 40%). She said that Governor Racicot sent Nebraska Governor Johanns a letter encouraging his support for the bill and for forming a Governor's Task Force on Endowments and Philanthropy in Nebraska.

NEXT MEETING

It was agreed that the next meeting would be at the regular time: **Thursday, April 8, at the Northwest Power Planning Council from 10 a.m. until 2 p.m.** Meeting adjourned at 12:30 p.m.

Attachment A:

The University of Montana Foundation piece on the Montana Endowment Tax Credit

Do you value The University of Montana and its programs that educate tomorrow's leaders and scholars while performing advanced research that shapes our daily lives? Has UM contributed to your experiences and successes? Then you may consider investing in UM to help continue these traditions. Besides benefiting UM, through your foresight and generosity to UM you, too, may reap benefits through a special incentive.

Since 1997, Montana law has provided a special tax credit for certain types of gifts to nonprofit organizations, including The University of Montana Foundation. This credit is offered to individual taxpayers, small businesses, corporations and estates, and augments the federal tax deduction.

Through 2007, UM friends and alumni who establish a planned or deferred gift to a permanent endowment at The University of Montana Foundation may be eligible for a credit of 40 percent of the qualifying contribution, to a maximum of \$10,000.

Planned gifts that qualify include:

- Charitable remainder trust
- Charitable gift annuity
- Retained life interest in a home or farm
- Paid up life insurance
- Charitable lead trust

Some businesses may also qualify for the credit through outright gifts to endowments. Businesses that are eligible include "S" corporations, partnerships, and limited liability companies. The credit is passed through to partners or shareholders according to their proportionate shares of ownership. Businesses are eligible for a credit of 20 percent of the qualifying gift, to a maximum of \$10,000 per

partner or shareholder. Businesses may also establish certain planned gifts to enjoy the higher, 40 percent credit rate.

For both individuals and businesses, the credit must be used in the year of gift. Any excess may be used as a tax deduction against Montana income. Gifts of appreciated property such as stocks or real estate may provide even greater savings by avoiding capital gain tax.

The Office of Planned Giving at The University of Montana Foundation is eager to show you how you may benefit from the Montana Endowment Tax Credit while supporting the students, faculty, and programs of The University of Montana through the establishment of a permanent endowment. In formulating your gift plans, please designate The University of Montana Foundation as beneficiary. Gifts may be unrestricted or designated for a particular school, program, or other use.

The University of Montana Foundation is an IRC 501(c)(3) charitable organization, qualifying donors for up to a 50 percent deduction for contributions.

Attachment B

**GOVERNOR'S TASK FORCE ON
ENDOWMENT AND PHILANTHROPY**
Contact Report Form
(Please print or type)

Name of Contact: _____

Date of Contact: _____

Method of Contact (in-person, phone, email, etc):

Summary of Contact:

Follow-up Action/Next Steps:

Volunteer Name: _____

Date: _____

Please return copy to:
Amy Kelley
427 W. Story Street
Bozeman, MT 59715
aok@mcn.net

Or bring copies to the Task Force monthly meeting (second Thursday of the month).
Thank you!