

## MINUTES

### **GOVERNOR'S TASK FORCE ON ENDOWMENTS AND PHILANTHROPY**

Montana School Boards Association Conference Room  
Thursday, March 17, 2005

Present:

Sue Talbot, chair  
Sid Armstrong  
Linda Coulston  
Donna Davis  
John Delano  
Amy Kelley  
Brian Magee  
Tim McCauley  
Galen McKibben

Aidan Myhre  
Sharen Peters  
John Scibek  
Jim Soft (by phone)  
Peter Sullivan  
Bob Vogel  
Judy Wing  
Ralph Yaeger

#### APPROVAL OF FEBRUARY MINUTES

Sue asked if any changes need to be made to the February minutes. John Delano moved to accept the minutes as distributed; Donna seconded the motion. The group unanimously approved the minutes by voice vote.

#### 2005 LEGISLATURE UPDATE

Aidan reported that the Legislature has been tackling HB 2, which deals with all spending issues. She has been spending quite a bit of time on this bill, both to ensure that the Endowment Tax Credit isn't in it and to make sure the budget isn't overextended such that things like the tax credit might be cut in response.

Aidan also reported on three other bills:

**HB 193:** "Recovery of tax benefit for charitable endowment recovered by donor" (*sponsored by Rep. Karl Waitschies*). This is a DOR bill, initiated because of an instance where a donor gave a charity a piece of land that they did not want, and wanted to give it back, although the donor had already claimed the tax credit. Sid suggested that the charity probably did not have a good real property gift acceptance policy; she proposed that we add an example to the "Lunch & Learn" training and/or to the web site. Judy Wing asked whether this could be addressed some other way than through legislation; Aidan said that usually these specific instances are addressed through the administrative rules. John Scibek thought it was a good idea to address it through legislation and saw it as more general: that if someone claims the tax credit when they don't deserve it, they should have to give it back. Supporting this legislation would not only reflect well on us, it would prevent charities from being saddled with an undesirable piece of property. Aidan agreed; she also noted that it opened the dialogue with the DOR and other nonprofits about the tax credit – another opportunity to tell our story, and to reinforce the need for people to file their tax credit documentation if they file electronically. The bill has already been enrolled and signed by the governor.

**HB 495:** "Authorize endowments for schools" (sponsored by Rep. Roger Koopman). This bill was tabled in committee. It would have changed the definition of a qualified gift to an endowment relating to private schools, allowing someone to claim the tax credit for giving an outright gift (rather than a planned gift) to a private school. She noted that the public schools opposed it.

**SB 506:** “Simplify income tax” (sponsored by Sen. John Cobb). Aidan testified as an opponent to the bill, which would have completely restructured the tax system. She noted that in his introduction of the bill he talked about the positive impact the Endowment Tax Credit has made in the state. The bill was tabled in committee. The bill would have made the tax credit permanent, but would have changed part of the statute:

(2) The credit allowed under this section ~~may not be claimed by an individual taxpayer if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction under 15-30-121(1) or 15-30-136(2)~~ must be reduced by 7% of the amount of the contribution deducted in the taxpayer's federal income tax return.

It was not clear to anyone what the impact of that language change would have been. The bill also would have removed the sunset clause. After some discussion, all agreed that having a sunset on the tax credit a good thing, as it eliminates fears and holds the tax credit accountable, although it would be preferable to extend the time period as time goes on and the tax credit is more and more established.

### **DOR RESEARCH**

Aidan reported on the Department of Revenue’s offer to compile data on the impact of the tax credit before the start of the legislative session. Acting Director Hoffman told her they couldn’t do it at this point. However, because one of the issues that came out of the committee discussion on SB 506 was “who is benefiting from the tax credit?” Aidan thinks that the DOR will be encouraged to complete that research after the session. **Sid offered to discuss the matter with Dan Bucks, the new DOE director, after the session ends.**

Sid also suggested that we conduct our own research on the upcoming intergenerational transfer of wealth, and its impact on Montana communities if only 1% of those funds were captured. She said we could use the methodology developed by Nebraska. Sid thought we should be able to get a grant to do this, given the extremely positive feedback on the Nebraska study. Judy Wing suggested we talk with Stan Nicholson about doing that research; he is an economist in Seeley Lake.

Sid suggested that the Task Force invite Dan Bucks and Jim McKeon to a future meeting to discuss these issues and continue to build our relationship. Sue said that she recently met Dan Bucks, and he’d made the point that he wants to make sure the DOR is collecting taxes where they are not currently being paid, as it is not fair to other taxpayers.

Aidan reiterated that we can support the DOR and the Administration by letting donors know they need to file the necessary documentation required in claiming the tax credit – it should be part of our regular message. Judy Wing added that, in her experience, the accountants often weren’t asking for that documentation. She thought we needed to reinforce this point with accountants at the L&L sessions. John Scibek said he’d learned from Jim McKeon that 50% of Montanans are filing electronically, but the major software (e.g. Turbo Tax and Tax Cut) doesn’t currently include the Endowment Tax Credit forms. It was suggested we work with the DOR to get these companies to provide the forms.

**Sue suggested inviting the DOR representatives to the June meeting. At the April meeting we could brainstorm what we want to specifically discuss at that June meeting.** All agreed. Aidan added that the DOR will be looking at changes to the income tax law, and that we could serve as a resource on the impact of proposed changes to the nonprofit sector.

### **PANEL ON NONPROFIT SECTOR**

Brian reported that the Panel on the Nonprofit Sector (convened by Independent Sector at the encouragement of the U.S. Senate Finance Committee to develop recommendations to improve the governance, ethical conduct, and oversight of nonprofit organizations) released its initial report on March 1. He said that the report can be viewed at <http://www.nonprofitpanel.org> or people can visit [www.IndependentSector.org](http://www.IndependentSector.org) for more information. Brian said that the Montana Nonprofit Association

would be holding a forum on May 11 with the Executive Director of the Independent Sector, John Pratt, to discuss the recommendations. **Brian will e-mail Task Force members about the May 11 event when it is finalized.**

#### **FINANCIAL REPORT**

Ralph distributed the Task Force Statement of Activities from February 1, 2005 through February 28, 2005. It showed \$6,000 in contributions and \$1,530 in expenses for and ending fund balance of \$8,962.94. Not reflected in the report was a \$126 contribution from Sid Armstrong. Ralph noted that the \$1,500 in consulting services was the balance due for lobbying services. (He reminded that MCF contributed the initial \$1,500.)

Ralph reported that he'd followed up with Spence about the Fish, Wildlife & Parks Foundation and Jay Vogelsang about Carroll College making contributions. He noted that the ongoing fundraising (especially by Sue, Dennis, and Judy Held)—as opposed to a one-time focused campaign—seems to be working well.

- **Ralph will e-mail Task Force members the list of those who'd contributed in the past but haven't been recently asked.**
- **Sue will share her fundraising letter with anyone who would like to use it.**

Aidan suggested posting the list of contributors on the web site. All agreed. **Ralph will send the list to Galen.** Judy Wing emphasized that donors need to approve such a posting. Aidan added that in-kind contributions should be listed as well. **Galen will post the list.**

#### **ENDOWMONTANA WEB SITE**

Galen shared the new web design with the group on the overhead screen. There was discussion about things that needed to be changed. Galen said that the new site is not yet uploaded, but can be reviewed at [www.EndowMontana.org/newver](http://www.EndowMontana.org/newver)

- **Aidan and Sid will review the site and give feedback to Galen.**
- Aidan suggested adding a “News” section to the site.
- **All agreed to take on the responsibility of sending links to Galen.**
- Sid suggested **posting the “one pager” we'd sent to legislators** before the special session, explaining the tax credit.
- All would like to see more visuals: e.g. an updated chart showing the impact of the tax credit (**MCF will create a graph**).
- Sid suggested removing the discussion about the temporary change in the tax credit, as it is confusing.
- **All should continue to work on “stories”** – not just from donors, but also from nonprofits and community members **FROM ACROSS THE STATE** on the impact of gifts received because of the tax credit. **Judy Held said she would be sending 3 stories to Galen soon.**

**Galen agreed to post the site after these changes have been made;** all agreed that improvements could still be made after it is posted. (NOTE: The new website has been posted and can be found at [www.EndowMontana.org](http://www.EndowMontana.org)) **Tim said he would notify his board members when the new site is posted; he suggested that all Task Force members do the same with their boards and members.**

Galen said that he gets replies from the “add an endowment” form on the web site fairly frequently; however, he does not want to field the “contact the Task Force” questions. **It was agreed that Amy's e-mail address would be used for that purpose.**

### GOVERNOR RELATIONS

Sue praised Ralph for his work on the draft report to the Governor on the history and current work of the Task Force. Ralph said that Steve Browning would really like to see this as a 10-Year Report. **Amy offered to design the final report, with the initial 1994 Governor's Conversation report as an appendix, if others would forward the text, images, and charts.** Sue noted that this does not have to be done immediately, as the Governor has no time to read it right now. Sid noted that the report needs to state that another Conversation was convened by Gov. Martz, and that the current Administration is continuing its support.

There was discussion about Lt. Governor Bohlinger attending Task Force meetings. Sid thought that he would be very interested in doing so, although perhaps not every meeting in its entirety. **All agreed that he should be asked when Task Force representatives meet with the Governor and Lt. Governor.** It was also agreed that the minutes do not need to be sent to the Governor; Sid said that it is simply not done. However, he should know that the minutes are available on the website.

### FEDERAL LEGISLATION UPDATE

Sid reported that she was in DC with the Regional Association of Grantmakers in January, where they received a summary of the "Joint Committee on Taxation Report on Options to Improve Tax Compliance and Reform Expenditures." Their major concern was that the legislation being discussed was not real reform, but a way to raise revenue on the backs of donors and charitable organizations. She handed out a fact sheet.

Jim Soft called in to report on the CARE Act. He reported that he'd been involved with a small group on this issue, and that their focus continues to be the IRA Rollover portion of the bill, and the possibility of making it a stand-alone bill. Aidan is arranging a meeting in April in DC with Conrad Teitel and others; they are waiting for the right time to approach Sen. Baucus to ask him to carry or cosponsor the bill. They don't want the bill to upstage the CARE Act, but think it would be a good fallback position. He noted that the President publicly stated two weeks ago that he supports the outright rollover of IRAs at age 65 ½. Jim noted that their bill differs from that, but they're quite sure that the President would support it. Jim thought that by May or June they'd have a good idea of where the bill stands.

### LUNCH & LEARN SESSIONS

**Jim said that a discussion of the L&L sessions needs to be on the April meeting agenda.** He stressed that the groundwork needs to happen NOW if we want to hold the sessions in the Fall. He suggested allotting an hour to discuss content, approach, and timing. Jim said that the topics are beginning to define themselves; if the CARE Act passes, that will take one hour of the two allotted. Also, the UMIFA changes need to be conveyed to attendees. (The Uniform Management of Institutional Funds Act establishes the basic rules of management of charitable endowments, and must be adopted or modified by all states.) He said that the tax credit sunset in 2007 is well timed with UMIFA – we could have a 2-pronged bill in the 2007 session.

Aidan asked if money has been set aside to help fund the Lunch & Learn sessions. She wondered whether the Task Force could help fund the marketing. Sue noted that the Task Force did not contribute anything in the past. Amy reminded all of Jim Soft's idea that the admission charge could be in part a materials fee and in part a Task Force contribution. Donna said that if continuing ed credit is offered, people would expect to pay \$35 for a 2-hour class and \$100 for a 7-hour daylong event. **All agreed that the attendance fee should be raised, and that Jim Soft and John Eastman should be consulted about how the Task Force can help in funding the sessions.**

There was some discussion about the idea of the Task Force doing a marketing mailing to various lists, which could be purchased:

- CPAs
- Bar Association

- Trust Officers
- Financial Advisors

Peter suggested mailing to the Montana Association of Insurance and Financial Advisors as well, who all need continuing education credit. Sharen added that we also need to reach out to nonprofits; Brian said that the MNA would put their name behind it and advertise to their members. Aidan suggested offering scholarships for nonprofits; Sid suggested covering travel expenses.

#### **NEXT MEETING**

It was agreed that the next meeting would be held on **Thursday, April 21, from 10 a.m. until 2 p.m. at the Montana School Board Association.**

Meeting adjourned at 1:30 p.m.