

MINUTES

GOVERNOR'S TASK FORCE ON ENDOWMENTS AND PHILANTHROPY

Valley Bank Downtown
Thursday, March 16, 2006

Members Present:

Sue Talbot, Chair	Judy Held
Lt. Governor Bohlinger	Amy Kelley
Jackie Williams	Brian Magee
Dan Bucks	Aidan Myhre
Derek Bell	Linda Reed
Sid Armstrong	Jim Soft
Dorcie Dvarishkis	Bob Vogel

TASK FORCE MEMBERSHIP

Sue reported that she received a letter from Governor Schweitzer officially accepting Dorcie as an active member of the Task Force. Dorcie received a similar letter.

APPROVAL OF FEBRUARY MINUTES

Sue noted that the reference to the "Leave a Legacy" program in Missoula should be changed to "Legacy Montana." Dorcie noted that the bullet on page 2 should be changed to: "Dorcie will provide sign-up information in the next WMFRA mailing *and will contact AFP as well.*" Sid moved to accept the minutes as corrected; Aidan seconded the motion. The group unanimously approved the corrected minutes by voice vote.

GOVERNOR'S CONVERSATION

Sid reported that holding the Conversation the day before the Philanthropy Northwest conference in Big Sky will not work for the Governor. He suggests we move it to the week after the election, Wednesday, November 15th, beginning in the morning and followed by lunch, at the Governor's residence. She reiterated that the Conversation would be modeled after the original one held at Governor Racicot's residence, with panels, education, discussion, brainstorming, and informal brainstorming over lunch. The main goal would be to bring together representatives of business, nonprofits, and the private sector to come up with action items addressing ways to increase philanthropy in the state. The Governor agreed to open the conversation, and the Lt. Governor would preside over the morning sessions. The Governor would return after lunch to make a closing speech. Sid suggested that **Josh present a refresher on the original model for the Conversation at the next meeting.** All agreed.

There was some discussion about what those action items might be, as they will drive who should be asked to participate (e.g. if the action items involve public policy, we need to have legislators; if the focus is on brainstorming, we want to ask staff instead of CEOs; etc.). Sue suggested that TF members think about creative individuals who should be asked to participate. Several possible topics for the Conversation were discussed, including the upcoming intergenerational transfer of wealth and the "philanthropic divide." Another suggestion was increasing the corporate incentive for outright gifts. Aidan suggested **that each TF member submit a two-paragraph proposal about what action items would be good to come out of the Conversation.**

Linda pointed out that November is just around the corner: we need to come up with a budget and begin fundraising now with a specific “ask.” Sue noted that we also need to line up an organizer and cover that expense. **Sue will find out if Josh is available, perhaps working with Sid?**

Sue will follow up with Galen about setting up the bulletin board again, so that the discussion about action items for the Conversation can continue.

2007 LEGISLATIVE SESSION

The Lt. Governor made the point that, although the Task Force cannot involve itself in political campaigns, as individuals the members should seek out those candidates that are sensitive to the issues the Task Force cares about, and embrace their candidacies. Sue noted that the Task Force has done that in the past. Sid suggested updating the Fact Sheet we sent legislators last session, and distribute that. Lt. Governor Bohlinger stressed that the message needs to be consistent. Aidan agreed, and added that there is less institutional memory given term limits. She stressed that ours should be a positive message: that we are building community in every part of the state. Judy Held added that we need to find out what charities the candidates care about personally, and emphasize how they benefit from the Task Force’s efforts. Aidan proposed that we send a letter to every legislative candidate, introducing the Task Force and the tax credit, as we did with incoming legislators in previous years. All agreed. **Aidan will draft that letter.** After the Lt. Governor left for a meeting, there was discussion about who should sign the letter. Sid will follow up with the Governor and Lt. Governor about whether the Lt. Governor, as the liaison to the Task Force, would want to sign on along with Sue. [NOTE: Sid spoke with the Governor Thursday afternoon after the meeting and he emphasized that the administration supports the tax credit, and that he is fine with the Task Force talking with legislators/candidates to inform them and to urge their support for its re-enactment.]

10-YEAR REPORT

Galen obtained price quotes for printing the report:

500/\$800
1000/\$1,000
1500/\$1,300

Sue will follow up with Dennis Peterson about his efforts to ask Blue Cross/Blue Shield to donate the printing costs.

FEDERAL LEGISLATION

There was some discussion of the status of the federal IRA rollover bill. It is still the case that the Senate version of the bill contains the IRA rollover provisions while the House version does not. The bill is still expected in conference committee.

MNA CONFERENCE

There was discussion about the Task Force signing on as a \$500 “Breakout Sponsor” at this fall’s conference, which will be held September 25-27 in Helena. Aidan suggested having the Task Force sponsor a panel discussion. Brian said that could be worked out. Linda suggested it would be a good time to release a report on the impacts of the intergenerational transfer of wealth in Montana. There was discussion about producing such a study, using the Nebraska methodology and perhaps commissioning someone at UM to do the research.

TASK FORCE LISTSERVE

Brian reported that MNA has done the work on their end so that the listserv could be in action as soon as he receives names and e-mail addresses from the Task Force. Galen still wants to work on

customizing the look of the page. Linda said that MCF will need to know when action alerts go out, so that they can track any expenses for lobby disclosure purposes as the Task Force fiscal sponsor.

DOR DISCUSSION

Dan Bucks, Director of the Department of Revenue, and Derek Bell, attorney for the Department who worked on the ruling (dbell@mt.gov if there are questions), joined the Task Force for lunch. Mr. Bucks discussed how the Department came to their ruling that “under certain important conditions and on a donor by donor basis, [a] charitable contribution to a university’s permanent endowment fund that a donor specifically designates to be used for the construction or improvement of campus buildings is likely eligible for the charitable endowment credit.” Mr. Bucks listed the specific conditions under which such a contribution might qualify for the credit:

- 1) The donor must intend that the money go toward that purpose.
- 2) The money must go to the permanent endowment fund, which can spend the money on the building.
- 3) If the building is sold, the money goes back to the permanent endowment fund, NOT to the institution.

He explained that the request for the ruling came from the Commissioner of Higher Education, who received the request from the University of Montana. At first glance, Mr. Bucks thought that the answer would be “no.” The affirmative ruling rested on the “thinnest of reeds.” He explained that because there is no guidance on the issue in the tax credit statute itself, they asked how an asset that can depreciate could be considered a permanent investment. That would have put the DOR in a position of judging how endowments should invest their money, which they felt inappropriate. They then referred to UMIFA as the default statute. There was no direct guidance here, either, although in the commentary that came with the statute there is a reference to buildings being an acceptable investment. He noted that investment standards have changed considerably since the 1980s: they are much looser, allowing much greater risk.

Mr. Bucks shared that he is not completely comfortable with the ruling. He stressed that the endowment tax credit is unique to Montana, that it is our credit, and therefore we can define what it can and cannot be used for. He felt it would be good to clarify the intent in legislation, perhaps simply adding a definition for “permanent” to the statute. He said that the DOR would be happy to take part in the crafting of such legislation, as he does not like the idea of having a tax credit for a depreciable asset. He does not, however, want to make a final judgment on this.

Aidan noted that because of the sunset clause on the tax credit, we are able to “tweak” the legislation over time in order to maintain its intention when circumstances change. Dan said that the cost to the state’s general fund could balloon over time if many took advantage of the tax credit in this way, the result of which would be to either bring the % claimable down or to eliminate the credit entirely. Aidan offered the Task Force’s assistance in crafting legislation; Mr. Bucks welcomed that offer. He offered to put a “placeholder” for the legislation in with the DOR package that needs to go to the budget office by April 14. He would clarify that both the Task Force and the Department support the legislation. He explained that we wouldn’t need a bill draft by that date, only a well-reasoned concept.

Mr. Bucks further said that he was strongly considering turning the ruling into an administrative rule, in which case there would be clear instructions defining its limitations. He does not want to “promote” it, but wants to eliminate confusion.

There was discussion about how this issue could split the charitable community, which was the obstacle to passage of the tax credit in its first iteration. Jim was concerned that this ruling might come

into conflict with the Charitable Gift Annuities statute, which says that the institution needs to maintain a separate annuity fund holding at least 50% of the total initial value of all gift annuities in force upon acceptance of each gift annuity. **Aidan, Jim, Sid, and Dorcie will work on a concept for the legislation and run it by TF members before the April 14 deadline.** Jim initially suggested the concept that: “The DOR is working with the Task Force to ensure that the charitable endowment tax credit stays within the parameters of the \$5 million revenue loss deemed acceptable by the legislature that passed the credit.”

NEXT MEETING

It was agreed that the next meeting would be held on April 20th, from 10 a.m. until 2 p.m. Sue said that Bob Vogel had offered the MT School Boards Association conference room; Amy will follow up with Bob on that possibility. The Northwest Power and Conservation Council conference room is also available on that date. Amy will notify the group about the location before the next meeting.

Meeting adjourned at 1:30 p.m.