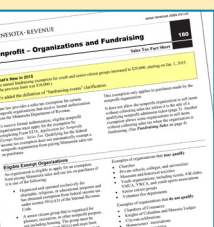


# Nonprofit News

## SPECIAL EDITION: A Session Wrap-Up



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### Despite Projected \$2 Billion Surplus, Legislative Session Mixes the Good, the Bad and the Ugly

With an almost \$2 billion projected surplus to work with as policymakers set the state's next two-year budget, many nonprofit leaders were hopeful for progress in the 2015 Legislative Session. State government is often an important partner with nonprofits in reaching our missions and strengthening our communities all across the state.

The surplus presented an opportunity to make targeted new investments after more than a decade of flat or declining funding in many public services. However, there was also a threat that policymakers would pass large tax cuts that would crowd out such investments and harm the state's ability to sustainably fund our needs.

With a divided government, policymakers offered very different views of how to best serve Minnesotans, and it took a special session before they reached agreement on all parts of the budget. They did not pass a tax bill or fund substantial new invest-

*Continued on page 3*

### Minnesota Makes Historic Investments in Mental Health System Totalling \$7 Million

Early in her career, Sue Abderholden worked for Dakota's Children at a residential group home for children with disabilities. At that time, many families had no choice but to place their children in a residential program, and parents wanted to do something about it. Sue went to graduate school with these families in mind and was inspired by their strength and courage to come forward to tell their stories.



Sue Abderholden, legislators, health care and other mental health advocates joined together to support building on the foundation of Minnesota's mental health system at a press conference on March 12.

Fast forward 25 years, the group home is closed and Sue is the executive director of the National Alliance on Mental Illness (NAMI) Minnesota and a fixture at the State Capitol advocating to build the state's mental health system.

This year, the state of Minnesota took a significant step toward improving the lives of children and adults with mental illnesses through the largest investment of new funding in mental health in the state's history. The \$51 million in new

*Continued on page 4*

MCN is pleased to offer its members this Special Edition Nonprofit News to recap the 2015 Legislative Session.

For more information on MCN's work at the Capitol, visit [www.minnesotanonprofits.org](http://www.minnesotanonprofits.org), or subscribe to The Nonprofit Advocate at [www.minnesotanonprofits.org/subscribe](http://www.minnesotanonprofits.org/subscribe).

# Equity in Charitable Giving Incentives: Minnesota's \$420 Million Lesson from the Non-itemizer Deduction

By Jon Pratt, MCN executive director

Minnesota has long benefitted from a positive charitable giving climate, encouraged by tax provisions that provide incentives for donors. These incentives include both tax deductions from the individual income tax and corporate income tax for charitable contributions, in addition to the knowledge that all of these funds can be applied to the intended charitable purpose. Going back to the founding of Minnesota in 1858, buildings and land used for charitable purposes have been exempt from paying property taxes and are also now exempt from the sales and corporate income tax.

Taken together, these exemptions and deductions provide a compelling message to the people of Minnesota: it is our state's policy to make sure your voluntary contributions go as far as possible to benefit the public. This position has enjoyed broad public support, with 86% of Minnesotans statewide agreeing that nonprofit organizations should be free from paying sales and property taxes (Minnesota Center for Survey Research).



As the state's tax system evolves, the Minnesota Council of Nonprofits and allied organizations keep an eye out for ways to strengthen incentives for a positive charitable giving climate. In 1999, the Minnesota Legislature faced a choice leading up to the adoption of Minnesota's non-itemizer charitable deduction. Legislators weighed two competing proposals for increased charitable giving incentives:

- a. A tax credit limited to contributions to organizations that served low-income populations, so long as the eligible organizations did not receive funds from government, or
- b. A 50 percent tax deduction for non-itemizing taxpayers who made more than \$500 in charitable contributions, with any 501(c)(3) organization eligible.

MCN, United Ways and the Minnesota Council on Foundations supported the second option, adopting a longstanding principle of equal treatment of charitable donations, also supported by national nonprofit sector organizations, to not use tax policy to favor one type of charitable organization or charitable donor over another. In addition to MCN advocating for the non-itemizer deduction, the issue of fairness and an even playing field gained support from chief author House Majority Leader (and later Governor) Tim Pawlenty, and was adopted by the Legislature.

Minnesota is now the only state that makes its charitable tax deduction apply to all taxpayers, not just the 39 percent of taxpayers with enough deductions to itemize. By 2013, 226,400 Minnesota taxpayers made \$419.8 million in charitable contributions and claimed non-itemizer subtractions of \$153.3 million from their taxable income, costing the state just \$9.7 million—a successful, broad-based incentive.

The goal of stable, uniform treatment of nonprofits is an ongoing challenge:

- In 2009, after a Supreme Court ruling threw the definition of charitable property tax exemption into question, MCN led the successful effort to pass clarifying legislation (covering more than 4,500 parcels of charitable property).
- In the 2015 legislative session, the House and Senate separately passed tax bills including a provision (which MCN advocated for) to exempt all 501(c)(3) organizations from the state sales tax (replacing an uneven system with some organizations receiving the exemption, but not others). The 2015 tax bill stalled, but will be picked up again 2016, when we expect this provision to be highly likely to pass.

In each of these situations, MCN's goal is to work with partners to help build on Minnesota's strong support of nonprofit and philanthropic activity, with equitable incentives for all taxpayers and charitable organizations.

## Budget Progress Made, But Plenty of Gaps Still Need to Be Filled

Continued from page 1

ments in transportation, despite much attention and debate on these issues.

The final budget agreement allocated 23 percent of the surplus for supplemental spending in the 2015 fiscal year, and 31 percent for additional spending in the FY 2016-17 budget cycle. That left \$865 million unallocated, which will contribute to the resources available in the 2016 Legislative Session. Despite the surplus, the Health and Human Services and Environment and Agriculture portions of the budgets saw net reductions in general fund dollars.

MCN's Minnesota Budget Project has looked closely at this session's tax and budget decisions, particularly measuring how well they meet the goals of a fair and sustainable tax system and increase opportunity and economic well-being for all Minnesotans. We bring you the good, the bad and the ugly.

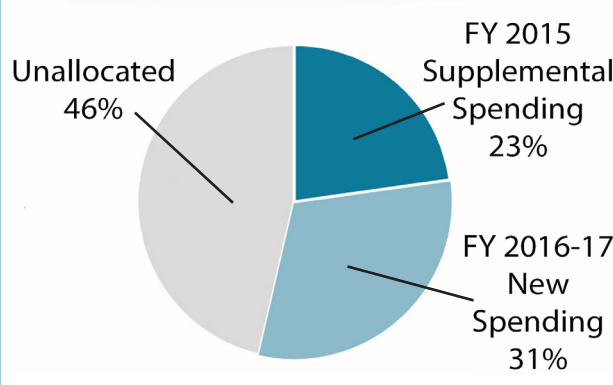
### The Good

Policymakers agreed to new investments in some areas, particularly for children, seniors and people with mental illness.

The new budget boosts funding for Basic Sliding Fee Child Care Assistance, which will help around 350 more families per month afford the child care they need. With more than 4,000 families currently on a waiting list, this is an important step forward. Policymakers also increased funding in other early learning initiatives, including scholarships, Head Start and school readiness.

Policymakers increased funding for school districts and initiatives to address the state's racial achievement gaps. Funding increases for the state's public colleges and universities will seek to rein in the growth in the cost of a college education.

**How the \$2 Billion Projected Surplus Was Used**



The budget also included substantial funding for services for people with mental health and chemical dependency issues.

Another positive outcome of the session is what policymakers did not do in tax policy. They did not pass large tax cuts that would have crowded out the other positive investments passed this year. They did not pass any of the proposed "phased in" tax cuts that would take many years to go into effect and ultimately cost several billions of dollars, undoing the state's recent work for a stable revenue system. And they did not adopt any of the proposals that cut taxes primarily on high-income individuals, such as the estate tax, thus reversing progress toward a fairer tax system.

We can expect many of the same tax provisions to be debated next year, and it will be important for nonprofit leaders to remind lawmakers that large tax cuts put at risk many critical services that Minnesotans rely on.

### The Bad

There were also several missed opportunities this session to increase economic opportunity for more Minnesotans. Lawmakers failed to expand earned sick time for the over one million Minnesota workers who currently lose pay or even their jobs when they stay home to take care of themselves or sick family members. They also did not pass a proposal

that would have allowed all Minnesotans to have the economic opportunities that come with a driver's license, regardless of their immigration status.

Another important lost opportunity was the failure to expand tax credits for working families, such the Child and Dependent Care Tax Credit or the Working Family Credit. Expanding these credits would have continued the state's recent progress in

making our tax system more equitable across income levels. Nor did they pass an MCN-supported proposal to make all 501(c)(3) nonprofits exempt from the sales tax on their purchases, as Susie Brown discusses in her column.

### The Ugly

Policymakers took a step backward in health care by cutting MinnesotaCare, which has provided affordable health insurance to working Minnesotans for two decades. This will mean higher health care costs for tens of thousands of Minnesotans who will pay increased premiums and out-of-pocket costs.

### Looking to Next Year

With a healthy budget surplus, Minnesota nonprofits hoped for state investments that would help them meet their diverse and critical missions which make this a better state in which to live.

The substantial amount of the surplus left unallocated, combined with recent positive news about state revenues, makes it highly likely that Minnesota will have another surplus when the 2016 Legislative Session starts next March. It will be critical for nonprofit leaders to be part of the discussion.

You can read more about the session's tax and budget outcomes on the Minnesota Budget Project's website at [www.mnbudgetproject.org](http://www.mnbudgetproject.org).

## The Estate Tax: An Important Incentive for Charitable Giving and More

In the 2015 legislative session, as in many years, there was significant discussion of the estate tax, a state and federal policy which taxes the transfer of wealth from a deceased person to their heirs. In the legislative setting, such taxes are notoriously divisive. Some feel that it is unfair to tax estates. Others recognize that, without the estate tax, substantial amounts of investment income will go untaxed, and reducing significant transfers of wealth can lead to a more economically just society.

The Minnesota Council of Nonprofits' (MCN) position is that the estate tax is an important issue for nonprofits and society, as it creates an incentive for charitable giving and influences an equitable tax system and sustainable resources.

The estate tax encourages charitable giving because donations made to charity are tax deductible and exempt from the tax. Data from the Urban Institute shows that when people expect their wealth to be taxed, they are more likely to give charitably. In either case, their resources go to meet public needs. If they contribute to a charitable institution, however, they are able to choose the nonprofit that receives it while also reducing their tax liability. This has increased the overall resources available to nonprofits through annual and planned giving.

Additionally, the estate tax influences an equitable tax system by increasing tax progressivity. Progressivity is achieved when

people pay taxes according to their ability—those with the greater means pay a higher share of their income in taxes, and those with the fewest means pay a smaller percentage. Today, Minnesota's tax system is the opposite—it is regressive, meaning that those with the highest incomes pay a smaller share toward state and local taxes. The estate tax is one way to remedy this.

Finally, the estate tax helps sustain the resources needed to meet Minnesota's needs. Only a small number of high-value estates are subject to the estate tax. For example, only about 800 estates are expected to pay the tax in 2015. With important exemptions of up to \$5 million in value for certain family farms and small businesses, the estate tax is targeted to those in society who are most able to pay. Their doing so helps provide much needed government revenues for public services that we all rely on, such as education, roads, libraries and critical nonprofit programs.

The estate tax will continue to be debated at the state legislature and in Congress. No doubt, there will be ongoing discussion about the rate and levels of exemptions, as well as the merits of the tax overall. In any case, MCN will be watching this issue closely and will convey its position that the nonprofit sector values the benefits that result from this tax—increased charitable giving, tax progressivity and sufficient revenues to meet Minnesota's needs.

## Mental Health Advocates Find Success Amidst a Challenging Session

*Continued from page 1*

funding is an investment across the mental health continuum and includes:

- The First Episode Program which utilizes evidence-based interventions for youth at risk of developing and experiencing a first episode of psychosis with intensive treatment right away.
- Additional funding for crisis services to expand mobile teams and crisis beds across the state that respond to crisis where people are—at home or community—and the development of one central crisis telephone number for the state.
- A 54% increase in suicide prevention funding to train school staff, peace officers, first responders and others in light of an increased suicide rate in Minnesota over the last 13 years.
- And many additional services including housing, employment and respite care. For a fuller summary of new laws, check out NAMI Minnesota's 2015 Minnesota Legislative Session Summary of New Laws at [namihelps.org](http://namihelps.org).

The Mental Health Legislative Network, 40 organizations

strong, recognized the services that worked and wanted to elevate those during the session. As Sue says, "We took the things that work to scale. We had a realization that we can't build just one part of the system, that there's no silver bullet. After this session, we are closer to having a mental health system." There will be a lot of work for mental health partners at the Department of Human Services in implementing these new laws, as well as administering the new funding.

Looking back, Sue reflects that there have been changes in attitudes over the years. People are less fearful in coming forward and disclosing that they have a mental illness or someone in their life does. And there's been more positive media attention and realization that there is a need for mental health care across the political aisle.

This has been a long time coming and Sue advises advocates to be in it for the long haul. Sue advises, "It's about educating people and garnering support. When working on hard issues that are about people's human rights, don't give up."

### Legislative Session Recap: What Passed, What Didn't

By Susie Brown, MCN public policy director

One thing we know with certainty is that advocacy for social change can take a long, long time. We listen to the community, develop ideas, talk with experts, create proposals, recruit champions and work the legislative process. At the Capitol, we build support, focus our efforts, develop strategies, respond to inquiries, and, often, we wait, and wait, and wait. Despite our best efforts, many things are out of our control—most significantly, we aren't the decision-makers!

The 2015 legislative session was a real-life example of the important lesson that we must hurry up and wait, and that the end of the session is just the point at which we take a break, and then we press on, again. All good ideas can be picked up again in the future, and eventually, the best of them will stick.

Here are two issues that didn't get resolved at this year's session that we look forward to continuing in future years:

**Sales tax exemption for nonprofits:** While many nonprofits are exempt from paying sales tax on their purchases, some are not, including those whose mission is scientific, literary or related to public safety and animal welfare. MCN has worked with the Minnesota Department of Revenue and leaders of the House and Senate tax committees to address the inequity created by current law. A bill to expand the sales tax exemption to all 501(c)(3) charities advanced through the tax committees with bipartisan support in 2015, but the legislature adjourned without passing an omnibus tax bill. This bill is in a strong position to be included in the tax bill that emerges in the 2016 legislative session. While we were disappointed that it didn't make it over the finish line in 2015, we hope to report on its success next year!

**Expanding voting opportunities:** For several years, MCN has been among the advocates working to expand access and reduce barriers to voting. During much of the 2015 session it seemed that a bill to expand voting rights to those with felony convictions, upon their release from prison, was well positioned to pass. (Currently, Minnesotans with felony convictions must complete their probation or parole before regaining the right to vote.) By building bipartisan support, engaging the community and establishing strong champions in the House and Senate, as well as the Governor, it seemed that this was the year the Restore the Vote Coalition's efforts would succeed in bringing Minnesota's law in-step with 13 other states, red and blue, throughout the nation. But, alas, it was not the year. Political and process complications stalled the effort and resulted in the need to continue this important work, maintaining the energy and resources to see this effort through to its conclusion in another year.

How do nonprofits keep up the energy and momentum to continue when the end of the legislative session feels like a loss? We know that important, long-term change is not something that can be achieved in an annual planning, funding or legislative cycle. We know that incremental steps matter, and we must continuously develop and carry out our strategies while being realistic about a "two steps forward, one step back" reality. MCN recognizes the hard work and dedication being exhibited each day, and each year, by nonprofits, community activists, policy makers and funding partners who are dedicated to staying the course. We congratulate all who had big wins in 2015 and offer a sincere tip of the hat to those whose work continues. See you in the 2016 session!



## Nonprofit Awards and Advancements



The **Edina Education Fund** has named **Tracie Huhn-Carr** executive director.

**Reading & Math, Inc.** selected **Lindsay Dolce** as chief advancement officer.

**Katie Zwetzig** is the new executive director for **Verified Volunteers**.



**Vinland Center** promoted **Rick Krueger** to clinical director of the chemical health program.



**GTS Educational Events** is pleased to announce the selection of **Mary Wynne** as its new executive director. She succeeds **Helene Johnson**, who retired in July.



**Karen Marben** is the new executive director of **Genesys Works – Twin Cities**, replacing founding executive director **Jeff Tollefson**.

**Dayton's Bluff Seniors** has named **Janet Golden** as executive director and **Michele Streitz** as manager of volunteer services.

**DARTS** recently welcomed former board member **Ann Bailey** as president.



**Leah Lundquist** recently joined the **Minnesota Council on Foundations** as program manager – leadership development.

She will serve as lead trainer for Grant-making for the 21st Century, the Policy Connections Institute and other cohort learning programs.

**Free Arts Minnesota** has named **Sara Sternberger** executive director.

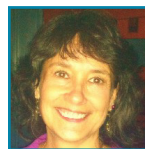
The **Playwrights' Center** has named **Amanda Robbins-Butcher** as development manager and **Julia Brown** as artistic programs administrator.



The **ALS Association MN/ND/SD** welcomed **Marianne Keuhn** as vice president of care services.

The **Jefferson Center's Up for Debate Ohio** initiative was recognized as a winner in the Knight News Challenge on Elections.

**Nancy Tellor**, one of Best Buy founder Richard Schulze's four children, completed her two-year term of service on the board of trustees at the **Richard M. Schulze Family Foundation**.



**Nonprofits Assistance Fund** has hired **Jill García** as its community development officer.

**Jamie Kay Ford** has joined **Conservation Conversations** as its executive director.

## MCN News



**Caitlin Swanson** joined MCN as communications coordinator. Formerly a communications VISTA with **CollegePossible**,

Caitlin comes with a range of communications experiences and will contribute to many of MCN's communications efforts, including newsletters, email communications, social media and print publications.



**Joe Pederson** is MCN's West Central Minnesota regional coordinator, serving out of Moorhead. Joe comes to MCN following

15 years as the executive director of **Lake & Prairies Community Action Partnership**, based in Moorhead.

### Submit Your Announcements

Visit MCN's Sector News at [www.minnesotanoprofits.org/sector-news](http://www.minnesotanoprofits.org/sector-news). Member organizations are invited to submit your organization's awards, staffing announcements and other news to [cswanson@minnesotanoprofits.org](mailto:cswanson@minnesotanoprofits.org).



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## Engaging People to Manage Conflict Effectively: Conflict Resolution Center



As the 2014 Nonprofit Mission Award recipient for Innovation, the Conflict Resolution Center's (CRC) mission is to bring people together to find lasting and effective solutions to conflict.

CRC was incorporated in 1983 with the goal to end youth violence and crime by engaging neighbors to work with neighbors to solve issues through mediation. In the years since, the organization has served those for whom traditional services have not worked in the past by facilitating a dialogue-based process which engages people to reach consensus and move forward on issues of significance.

With over 200 trained volunteers, CRC provides mediation services, one-party conflict consulting, peacekeeping circles, community education and a range of Art of Hosting processes to empower participants to take action and create change. Its conflict resolution services can be found in courtrooms, neighborhoods, schools and families as well as between landlords and tenants and victims and offenders.

CRC provides new and creative ways to address everyday problems, traditional and untraditional. A traditional approach to student misbehavior or youth crime might be suspension, expulsion or

a criminal sentence. CRC's approach is to engage the youth in a dialogue about what they can do to address the infraction as well as to teach conflict resolution and leadership skills that result in positive youth behavior. A traditional approach to homelessness prevention might be to provide emergency assistance or temporary housing to a tenant who cannot meet their housing responsibilities. CRC's approach is to bring the landlord and tenant together to formulate their own plan to keep the tenant housed, which provides the tenant with conflict consulting and the landlord with basic communication and conflict resolution skills training.

With a volunteer workforce of 220 mediators and facilitators, CRC addresses pressing concerns regarding housing, income, safety, security, family issues, elder issues, youth concerns, employment, discrimination and other issues. The organization provides a process to ensure every voice is heard and all needs are addressed.

As a result of the Conflict Resolution Center's dedication to using creative applications and nontraditional approaches to solving community challenges, the Minnesota Council of Nonprofits was proud to present it with the 2014 Mission Award for Innovation.

## Minnesota Department of Revenue Updates Sales Tax Fact Sheet on Nonprofits and Fundraising

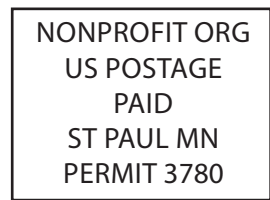
Have you ever wondered why nonprofits are frequently exempt from paying sales tax on purchases, but have to collect tax on the sales they make to the public? Are you confused by the 24-day rule for the taxation of fundraising sales? Do you know whether sales tax on tickets sold for event admission is required for all events, or just certain types?

Both the Minnesota Council of Nonprofits (MCN) and the Minnesota Department of Revenue agree that this area of nonprofit law can be difficult to navigate. For over a year, MCN has been working with Revenue staff to determine how best to communicate these highly nuanced and frequently changing laws to the nonprofits that need to implement them.

MCN is pleased to report that the Department of Revenue has incorporated nonprofit feedback into their new Sales Tax Fact Sheet on Nonprofit Organizations and Fundraising released in June 2015. If your organization purchases or sells anything, holds fundraising events, charges admission or membership, engages in charitable gambling or has any building construction planned, you should read this fact sheet. (That should include almost all nonprofits!)

Those interested in reviewing this information can find it by searching keyword "nonprofit" on the Minnesota Department of Revenue's website (look for "Sales Tax Fact Sheet 180").

In the meantime, if you need further clarification about nonprofit sales tax exemptions, please don't hesitate to contact Susie Brown, MCN public policy director, at [sbrown@minnesotanonprofits.org](mailto:sbrown@minnesotanonprofits.org) or the Department of Revenue directly at 651-556-3000.



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## Department of Labor Proposes Changes to Federal Overtime Rules

In July, the Obama administration proposed new federal Fair Labor Standards Act (FLSA) overtime rules that would, if enacted, affect all employers with over \$500,000 annual revenue, including nonprofits. The administration proposes to update the classification for employees required to receive overtime pay and simplify the exempt versus non-exempt classifications system.

Since its inception in the 1930s, the FLSA has been designed to “provide minimum protections to workers, ensuring that they would receive a fair day’s pay for a day’s work and would be protected from the evil of overwork as well as underpay.” Among other things, the current proposal would require that, starting in 2016, employees with a salary of \$50,440 per year or less would be eligible for overtime pay, regardless of their job functions, if their employer has more than \$500,000 in business revenue and/or is involved in interstate commerce (which includes things like processing credit card payments, using the U.S. mail across state borders, and ordering supplies from other states). Currently, the amount below which all employees, regardless of function, are eligible for overtime pay is \$23,660.



As employers, nonprofits will need to learn how such a change might affect their payroll and work assignments. As a sector, we must continue to be good employers with reasonable pay, benefits and job conditions that can attract and retain talent to carry out our mission-based work while complying with state and federal wage and hour laws.

The U.S. Department of Labor has collected comments on this issue from a wide range of stakeholders, including employers and national advocacy groups. Currently, the Department of Labor is considering extending the comment period on this topic to get additional perspectives. If you care to submit comments directly to the Department of Labor, you can find the full proposal and comment section at [www.regulations.gov](http://www.regulations.gov). You can find more information about how the nonprofit sector would be impacted by reading the Department of Labor blog on this topic <http://blog.dol.gov/2015/08/26/non-profits-and-the-proposed-overtime-rule/>. As this issue is resolved, the Minnesota Council of Nonprofits will provide information and resources for successful implementation.

If you have questions or would like to share your thoughts on the proposed FLSA changes, please contact MCN public policy director Susie Brown at 651-757-3060 or [sbrown@minnesotanonprofits.org](mailto:sbrown@minnesotanonprofits.org).