



## Northwest Planned Giving Roundtable

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4404 SE King Road, Milwaukie, OR 97222-5282

### GOVERNMENT RELATIONS REPORT

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### **OREGON BUDGET DELIBERATIONS THREATEN NONPROFITS**

**Or**

### **WHAT DOES THE PERS DILEMMA REALLY MEAN?**

Two bills in the Oregon legislature on the face seem to threaten the incentive for charitable gifts by limiting itemized deduction for charitable contributions (**HB 2001 and SB 305**). Both of these bills would “sunset” itemized deductions by 2018. SB 305 would eliminate these deductions at the end of this year (2013). The sunset provision means that the legislature would need to take action to renew a specific deduction. If passed, Oregon would join Michigan and Montana as the only other states to have removed tax credits or incentives for charities. The charitable giving incentive is an important and significant element in encouraging support for charities and strengthening communities.

### **HB 2001 is sponsored by Tina Kotek (Speaker of the House) and eight other Democrats – and no Republicans.**

The Nonprofit Association of Oregon (NAO) recently (3/29/2013) sent out a bulletin bringing attention to the potential threat of these bills. The thrust of these bills is to seek revenue for state budgets from caps or cuts to specific itemized deductions, including the charitable deduction. NAO, from its perspective, believes that the itemized deduction for charitable contributions should not be included in a bill to sunset other itemized deductions. NAO has urged that nonprofits contact Oregon representatives and express support for the charitable deduction and its importance in generating funding for nonprofits in Oregon.

Enter the PERS issue and the Oregon budget problem. An article in the April 2 issue of the Oregonian brought this issue into perspective. Efforts to balance the 2013 state budget seem to be based on addressing the PERS dilemma in some way. The revenue requirements needed to address the current PERS retirement obligations are a heavy burden that is now hitting state and local budgets – especially already tight school budgets. (Discussion of PERS problem is beyond this report.)

There are basically two competing proposals to find anywhere from \$455 million to more than \$1 billion in savings from the PERS obligations. Both Republicans and Democrats agree these savings are necessary to put more money into schools and stabilize the costs of PERS.

SB 822 calls for \$455 million in direct PERS savings, mostly through limits on cost-of-living adjustments. It would also delay about \$350 million in PERS payments for an overhaul budget impact of \$805 million. (This bill is supported by Tina Kotek, Speaker of the House.)

SB 754 calls for more than \$1 billion in savings using stricter limits on cost-of-living adjustments and others savings such as disallowing overtime and vacation time when figuring pensions.

The drama grows because Kotek has only scheduled hearings on her preferred bill (SB 822) in the House. In the Oregonian article, Kotek is quoted as saying: "I'm personally not open to any changes in the bill."

#### How does this relate to the legislation on charitable deductions?

The budget, with the adoption of SB 822, does not balance. \$275 million in additional revenue is needed. Where is it to come from? The Democrats propose to gain this revenue by closing or cutting some tax breaks – **HB 2001**. Because it (HB 2001) would represent a tax increase, a supermajority (and therefore Republican votes) is necessary for passage. The response of Mike McLane (Republican, House Minority Leader), "**We're not interested.**"

#### Actions suggested:

1. Alert the leadership of your organization to these events in Salem.
2. Write your legislator and express your support for the charitable deduction and its importance to Oregon nonprofits.
3. Don't get too excited, because increasing taxes requires a supermajority and the Republicans are not going to support a tax increase this year.

Key information for this report was provided by a bulletin from the Nonprofit Association of Oregon published 3/29/2013 and an article in the Oregonian (Metro, Section B, page 1).

[It is interesting that this "threat" to nonprofits has been brought forward by Democrats with no Republican support. If the Republicans refuse to support raising tax revenue by reducing charitable deductions, will the Republicans will be perceived as the saviors of the nonprofit community?]

## **FEDERAL BUDGET DELILBERATION – WHAT IS HAPPENING?**

The Sequester happened, spending cuts occurred, and the world did not end!

Competing budget proposals from the House and Senate have been presented – each with a different set of spending priorities. The President's budget has not been presented yet.

There is still a contrast between the Democrats' emphasis on raising tax revenue and increasing spending and the Republicans' emphasis on stabilizing or limiting tax increases and reducing spending. Challenge: super majority and House approval needed to raise taxes.

Stay tuned for the next shoe to drop.

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**That's it for issue #21. Please feel free to comment, send tips, or provide questions.**