RE: March 17, 2022 hearing on “Examining Charitable Giving and Trends in the Nonprofit Sector”

Dear Senate Finance Committee Members:

Thank you for all your work to support Coloradans and Americans throughout the pandemic. In advance of the upcoming hearing, I write on behalf of Colorado Nonprofit Association and its 1,100 nonprofit members to update you on the challenges that nonprofits in Colorado face and the continued need for relief and support.

Background

Because of the ongoing public health and economic crises, too many nonprofits in our state face increased demand for services, decreased revenue and increased expenses, and employee and volunteer shortages. This letter outlines those challenges and policy recommendations for the committee.

Nonprofits experienced substantial job losses and face slow job recovery

Before the pandemic, Colorado’s nonprofits represented 5% of the state’s private workforce, employed nearly 190,000 Coloradans, and contributed $40 billion of impact to Colorado’s economy.1 While current employment and economic impact data for Colorado’s nonprofits are not available, national trends indicate that nonprofits experienced substantial job losses in 2020 due to the pandemic and face a slower pace of job recovery than the private sector.

Recent studies on the impact of the pandemic on the nonprofit sector indicated the following:

- 40% reported reduced staffing levels per a 2021 Federal Reserve survey.2

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1 http://www.cononprofitimpact.org/
• 13% of jobs, or 1.64 million jobs, lost by May of 2020.\(^3\)
  This means 25,000 Colorado nonprofit employees if job losses are presumed consistent with national data.
• 337,500 job vacancies still remain as of February 2022.\(^4\)
  5,000 of which are vacancies for Colorado’s nonprofits if job losses are presumed consistent with national data.
• The nonprofit sector has recovered 79% of jobs lost during the pandemic, which lags behind the total U.S. job recovery rate of 87%.\(^5\)\(^6\)
• 60% of nonprofits have vacancies between 10% and 30%. 16% have vacancies greater than 30% according to a December 2021 National Council of Nonprofits survey. Respondents cited salary competition (79%) and lack of child care as contributing to workforce shortages (23%).\(^7\)

**Charitable giving is down on federal returns and up on state returns**

Our review of available national data indicates that charitable giving is not keeping pace with needs and rising expenses:
• 0.8% decrease in giving between 2019 and 2020 if one major donor’s contributions are removed from the 2021 Giving USA study.\(^8\)
• 42% of nonprofits with budgets under $500,000 and 29% with budgets over $500,000 experienced reduced donations in 2020 per the Urban Institute.\(^9\)
• Nonprofits stating that donations are essential to their revenue stream were more likely to experience reduced donations in 2020 per the Urban Institute.\(^10\)

Fewer Coloradans took the federal charitable deduction and deducted less giving leading up to the pandemic:
• The number of Coloradans taking this deduction fell from 657,300 to 278,050.\(^11\)
• Total giving fell from over $4.5 billion in 2017 to $3.5 billion in 2019.\(^12\)

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\(^4\) Ibid.

\(^5\) Ibid.

\(^6\) [https://www.denverpost.com/2022/03/14/colorado-employment-jobs-pre-pandemic-levels/](https://www.denverpost.com/2022/03/14/colorado-employment-jobs-pre-pandemic-levels/)


More Coloradans took the state charitable deduction and deducted more giving following passage of the Tax Cuts and Jobs Act:

- The number of Coloradans taking the state deduction increased from 153,000 in 2017 to 362,000 in 2018.13
- Giving on state returns increased by from $247.6 million in 2017 to nearly $821.7 million in 2018.14

Without the state deduction, declines in the number of donors and in overall charitable giving reported on Colorado tax returns would have been much greater.

The pandemic negatively impacts volunteerism rates in Colorado

Before the pandemic, more than 32% of Coloradans volunteered and contributed over 121 million hours of service.15 Nationally, the Urban Institute reports that regular volunteers declined by 23% in urban areas and 41% in rural areas in 2020.16 Although many businesses are fully open to the public again, we remain concerned that many nonprofits have not seen volunteerism return to pre-pandemic levels. Lack of access to child care, increased COVID-19 risks for adults with vulnerabilities, and increased mental health concerns still contribute to reduced numbers of volunteers.

Many nonprofits benefited from pandemic relief; many did not

Although some nonprofits benefitted from federal and state COVID-19 relief funds, most relief programs have been primarily targeted to specific industries or for-profit businesses generally. Our observations regarding pandemic-relief programs are the following:

- Over 5,600 Colorado nonprofits received nearly $900 million in forgiven PPP, which saved nearly 115,000 nonprofit jobs. However, our review of the data indicates that nonprofits received only 3% of the more than 192,000 PPP loans completed and 7% of the dollars loaned ($1.04 billion out of $15.06 billion).17

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Volunteer-run nonprofits and nonprofits with more than 500 employees typically did not qualify for assistance through PPP. The requirement to demonstrate 25% revenue losses for PPP Second Draw loans also left out nonprofits impacted more by increased demand rather than revenue losses.

Governor Polis’ COVID-19 relief fund provided $24 million of assistance to nonprofits but this program expired at the end of 2020.\(^\text{18}\)

Colorado’s nonprofits tended to not use federal or state loan programs without any opportunity for forgiveness (e.g. Main Street Lending Program, CLIMBER loan fund, et al). Most nonprofits prefer not to divert future funding from programs to pay debt.

Colorado Nonprofit Association is asking the Colorado General Assembly to allocate between $25 million and $50 million of American Rescue Plan Act (ARPA) funds for grants to support nonprofits’ essential work. ARPA and Treasury regulations make it clear that governments may use these funds in partnership with charitable nonprofits to address many challenges in our communities. This is a small but meaningful percentage of the $5.8 billion allocated to Colorado’s governments through the Coronavirus Fiscal Recovery Fund.\(^\text{19}\)

**Recommendations for the Senate Finance Committee**

As long-term recovery from the pandemic is still fragile, the Senate Finance Committee can take several actions to support Colorado’s nonprofits in the short and long-term.

- **Restore the Employee Retention Tax Credit (ERTC) from the fourth quarter of 2021 through the end of 2022 (S.3625).** Colorado Nonprofit Association joined more than 1,500 organizations from all 50 states in signing onto the recent letter to Congress and the Biden Administration seeking pandemic relief for charitable nonprofits. Restoring the ERTC would help address nonprofit workforce shortages especially if the “gross receipts” test is modified so more nonprofits can qualify. We also recommend adding child care and education subsidies as eligible expenses. Unlike for-profits, nonprofits cannot receive income tax relief from these costs.

- **Continue and expand the charitable giving incentives enacted during the pandemic, including the universal charitable deduction for non-itemizers.** Even though the pandemic continues to increase demand for nonprofits’ services, several disaster-related giving incentives expired at the end of 2021. Colorado Nonprofit Association unequivocally supports renewal of the universal charitable deduction at least through 2022 and expansion through Universal Giving Pandemic Response and Recovery Act (S. 618). Passing this act will promote further giving by all American taxpayers of all incomes and generate needed resources for charitable and faith-based organizations to continue serving communities impacted by the pandemic.

\(^\text{18}\) https://helpcoloradonow.com/covid_relief-fund/
We also ask that you speak up during the hearing in support of extending expired disaster-relief incentive. This includes allowing itemizers to deduct charitable donations up to 100% of their adjusted gross income and allowing corporations to deduct charitable donations up to 25% of taxable income.

- **Protect levels of ARPA funding allocated to state and local governments.** These funds will also help Colorado’s governments and nonprofits meet the needs of our communities.

- **Incentivize volunteerism by addressing unfair tax treatment of volunteer mileage.** We ask for the volunteer mileage rate to be the same as the business rate (currently, 58.5 cents per mile) and for elimination of the tax on mileage reimbursements up to the business rate. The rapid increase in gas prices mean increased expenses for nonprofits reimbursing their volunteer drivers and increased expenses and income taxes for those drivers. The volunteer mileage rate (14 cents per mile) disincentivizes many Americans from being regular volunteer drivers.

- **Champion the Nonprofit Sector Strength and Partnership Act of 2022.** This draft bill, sponsored by Congresswoman McCollum, would formalize and bolster the ability of the federal government to work in partnership with the nonprofit sector. Arguably, this is the most important way that Congress could enhance the mission-driven work of the nonprofit sector. However, we recognize that some effort would be needed to implement this bill and change this relationship between nonprofits and government.

**Conclusion**

As you consider the issues raised during the Senate Finance Committee hearing, we ask that you reflect on the important, sustaining work that Colorado’s nonprofits performed throughout the pandemic. Nonprofits continue to face increasing demand for services with decreasing human and financial resources. In light of these unrelenting challenges, we ask that you consider these policy solutions and others that will strengthen the ability of nonprofits to meet the needs of Coloradans.

Sincerely,

Mark Turner
Senior Director of Public Policy

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