



Montana Nonprofit Association

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March 15, 2022

The Honorable Steve Daines
United States Senate
Washington, DC 20510

RE: Senate Finance Committee Hearing
“Examining Charitable Giving and Trends in the Nonprofit Sector”

Dear Senator Daines,

On behalf of Montana Nonprofit Association (MNA), our 650 nonprofit member organizations, and 56,000 nonprofit employees working in organizations large and small across Montana, I write in advance of the upcoming hearing, “Examining Charitable Giving and Trends in the Nonprofit Sector.” Thank you for your past support for pandemic relief. I want to update you on the ongoing challenges that Montana’s nonprofits are facing and explain the need for targeted relief within the jurisdiction of the Senate Finance Committee.

Because of Montana’s immense geography, our low population, and our historically low tax base, Montana communities rely on nonprofits more than many other states. In fact, we have almost the most nonprofits per capita, which is no surprise when you note that we have not just one or two population centers, but seven. In addition, we have another sixteen or so “hub” communities that are far enough away from population centers that they require local services. These are communities like Dillon, Libby, Red Lodge, Miles City, Havre, Lewistown, and more. **Large and small communities alike have historically looked to nonprofits to uphold their quality of life while negotiating the challenges of geography and scarce funding.** Whether they are counting on a solid foundation of safety net services or want to see the enjoyments of life we value in Montana upheld, Montana’s people rely on a healthy nonprofit sector in the same way they depend on a functioning government and a thriving business sector. This is why it’s so important to us that you are aware of the state of the nonprofit sector as you attend the upcoming hearing.

For two years the MNA team and I used our time and resources listening for and responding to what nonprofits needed most to meet the needs of Montana communities during the pandemic. We relied on nonprofit advisory groups, countless listening sessions, Town Hall meetings, and our larger membership as we worked to provide relevant and timely information, in many cases before our members even knew they needed it. I was honored to be appointed to both Governor Bullock’s Task Force on Coronavirus Relief Funds in 2020 Governor Gianforte’s COVID-19 Task Force. I also served as the Vice Chair of the National Council of Nonprofits Board of Directors and the Chair of their Public Policy Council during this time. I offer information about Montana’s nonprofits as a resource, hoping it will be useful as you attend the upcoming hearing. I will start with a brief context and then detail how tax policy can help meet Montana’s continuing needs. Thank you for considering our perspective.

Context: Pandemic Impact

For ease of understanding, I present two types of nonprofits that were impacted in somewhat different ways over the past two years: those that provide safety net services and those that look after Montana’s natural beauty, arts and culture, and recreation.

Montana's safety net organizations were at the forefront during the height of the pandemic. While most of the organizations run solely by volunteers shut down entirely, many of Montana's 2,200 nonprofit employers remained in service. Their employees' ensured food was available to families and children without school lunch programs; they brought individuals indoors in harsh weather – finding hotel rooms instead of traditional congregate shelter settings; they cared for individuals with disabilities living in group homes, and offered refuge to people experiencing domestic violence. At the same time, they went to their local grocery store or, if they were fortunate, Wal-Mart, to find masks, sanitizer, and gloves. This was not easy anywhere, much less in the most remote parts of the state. Workers went to the job scared, and employers were scared too. Scared someone would get sick because they needed to care for the most vulnerable among us. They did it – but there was a toll in terms of both human and financial resources.

With both demand for services and expenses up, the need for additional revenue for safety net organizations was dire. Fortunately, federal funds were deployed quickly, with nonprofits being expressly included. We thank you for your efforts in this area. Nonprofits also benefitted from charitable contributions, including donations made by individuals seeking a one-time \$300 deduction for their contribution. At the same time, in many cases financial duress did not meet the demand as the pandemic went on. For example, some nonprofits receive revenue based on census count, such as those serving mental health and disabilities needs. Due to closures and lack of employees, organizations kept census counts as low as possible, which impacted their reimbursement. Unfortunately, those employers were limited in their ability to cut expenses unless they completely shut down a certain amount of services. Various federal dollars were deployed in 2020-21 which gave them a lifeline. **Every dime mattered then, and every dime matters now for nonprofit organization's upholding Montana's safety net.**

During the height of the pandemic many of the organizations representing the beauty and allure of Montana, the Montana we hold dear, were shuttered. Museums, symphonies, theatres, youth soccer and basketball leagues, nonprofit child care centers, and more laid off their employees and shut down. Nonprofits that care for Montana's outdoor trails and streams saw dramatic increases in use but no corresponding increase in revenue. These types of organizations intentionally stood down, recognizing the critical need for safety net services and understanding why they were not the priority for government funding or charitable donations. Although many eventually received relief through the Paycheck Protection Program and Coronavirus Relief Funds, they largely experienced the full economic brunt of the pandemic both economically and as employers in the same way their for-profit counterparts did.

I describe this in some detail because it is important to note that nonprofits are part of Montana's economy, and they are part of our recovery. Whether we are talking about a much-needed childcare center in Libby, a performing arts center in Missoula, an art museum in Miles City, affordable housing in Belgrade or disability services in Great Falls – it takes all of this to uphold the quality of life and the economy in Montana. Working along tens of thousands of nonprofit volunteers are more than 50,000 nonprofit employees. **Whether we are saving the state money by providing services more efficiently than government or bringing money to the state by attracting tourists and funneling discretionary spending into the economy, nonprofits are part of what makes Montana work.**

Current State of Montana's Nonprofits

In the face of the ongoing health and economic challenges, Montana nonprofits are struggling. A multitude of factors are in play, several of which I will highlight. There continues to be increased demand for services along with decreased revenue, expenses that are higher than pre-pandemic, and nonprofit workforce and volunteer staffing shortages. See the results of the [National COVID-19 Community Impact Survey](#) administered by the Federal Reserve System. The relief provided by Congress made the difference for many organizations by replacing revenues lost due to declines in individual and corporate giving, fees for service,

and cancelled fundraising events. The largest of these, by far, was forgivable loans under the Paycheck Protection Program. **At least 1,300 Montana nonprofits received nearly \$250 million in forgiven PPP loans in 2020 and 2021, according to [Small Business Administration data](#).** Those funds saved roughly 30,000 Montana jobs, the SBA reports, jobs which upheld services in our communities. However, the PPP and most other pandemic relief programs have expired; yet the need for, and burdens on, charitable organizations remain great.

Challenges and Solutions

With the above context in place, I outline here three areas of challenges that nonprofits are facing and propose tax policy solutions for your consideration: the lack of resources, the lack of staff, and the lack of volunteers – all of which are essential to nonprofits' abilities to serve Montana's communities.

Charitable Giving

Charitable giving nationwide has not kept up with need and rising expenses. The [2021 Giving USA report](#) found that individual giving decreased by nearly 0.8 percent in 2020 compared with 2019, when one major donor's contributions are removed from the data. A separate analysis, the [Nonprofit Trends and Impacts 2021](#) from the Urban Institute, found that small nonprofits were under particular stress. "Forty-two percent of organizations with budgets under \$500,000 experienced decreased donations in 2020, compared with 29 percent of organizations with budgets of \$500,000 or more."

Montana: Of almost 2,000 nonprofits reporting income of more than \$25,000 in 2019 in Montana, three fourths had revenue under \$500,000. In fact, only 695 Montana nonprofits have budgets MORE than \$500,000. Whether it's a nonprofit with a minimal budget like the Geraldine Community Ambulance Fund, the Fairgrounds Foundation in Miles City, or Native Action in Lame Deer, or an organization closer to a \$500,000 budget like the Lighthouse Christian Home and Services in Kalispell (shelter), the Piegan Institute in Browning (language), Boys and Girls Club of Missoula County, or the Barrett Hospital Foundation in Dillon, Montanans know how to do a lot with a few dollars, and that's why tax policy solutions that matter to middle-income donors matter to us.

Tax Policy Solutions

In the aftermath of virtually every natural disaster since Hurricane Katrina, Congress has recognized the value of nonprofit relief and recovery efforts by enacting charitable giving incentives that encourage individuals and corporations to help cover some of the costs of these community-based services. The COVID-19 pandemic and resulting economic crises have certainly qualified as natural disasters and Congress – on a bipartisan basis – swiftly enacted giving incentives for those who itemize and corporations. **Recognizing the catastrophic impact of health and economic crises, Congress went further by enacting, and then expanding and extending, the universal charitable or nonitemizer deduction** to ensure that all taxpayers, including those who claim the standard deduction received a tax benefit for giving back to their communities by supporting the work of charitable nonprofits.

Regrettably, each of these disaster-related giving incentives was allowed to expire at the end of 2021. Yet, the pandemic continues to disrupt services and individuals in our communities continue to come to their local nonprofits for support. We anticipate that the need to restore and improve these giving incentives will be extensively discussed during the Senate Finance Committee hearing on Thursday.

Montana Nonprofit Association strongly supports renewal of the universal charitable (non-itemizer) deduction at least through 2022. We fully endorse the [Universal Giving Pandemic Response and Recovery Act](#), S. 618, because it will further promote giving by all American taxpayers – regardless of their income – and generate needed resources for charitable and faith-based organizations to continue providing vital services to families, workers, and communities, especially those critically impacted by the ongoing pandemic.

Similarly, we ask that you speak up during the hearing in support of extending the two additional disaster-relief giving incentives that expired on December 31, 2021 – the provision permitting individuals who itemize to deduct charitable donations up to 100% of their adjusted gross income and the measure allowing corporations to deduct charitable donations up to 25% of taxable income.

Nonprofit Workforce Shortages Crisis

One of the greatest challenges that nonprofits of every type are experiencing is the inability to hire and retain qualified workers. The Federal Reserve survey cited above found that 40% of responding organizations reported that staffing levels are down. As of December 2021, the nonprofit sector was still more than 450,000 short of pre-pandemic levels, according to the report [COVID-19 Jobs Update, December 2021](#) from the Center for Civil Society Studies at Johns Hopkins University.

Montana: In December 2021, 117 Montana nonprofits participated a National Council of Nonprofits Workforce Shortage Survey. Just one in three (28%) of respondents reported vacancies of between zero and 9 percent. One in four nonprofits (25%) shared job vacancy rates of between 10% and 19%, 23% responded that they had job openings for 20% to 29% of their positions and a troubling 24% percent reported vacancies greater than 30 percent. By far the most significant cause of shortages was reported to be wage rates, followed closely by housing and childcare – both of which are significant issues in Montana – especially with the great migration into the state.

The survey responses of Montana nonprofits make clear that these workforce challenges are no mere inconveniences; they are hurting the people the organizations serve. Among the nonprofits reporting at least a one-month waiting list is a domestic violence shelter in Montana. A separate human service provider in the state observed, “We are seeing an increased need for our population of low-income seniors for care as the pandemic drags on,” adding that “as others in home care agencies cannot find staff, we receive more applications of people looking for in-home support.”

“Disruptions caused by labor shortages are causing inefficiencies and employee burnout by employees who are taking up the slack created by vacancies,” observed an official with Mission West Community Development Partners in Ronan. They continued, “Wages are escalating, and employees are increasingly demanding work from home status for work that is better completed in an office environment.” As a result, “Organizational productivity is diminishing.”

The Montana Food Bank Network, Missoula, offered this pragmatic concern, perhaps shared by many: “While our organization is doing well financially (much in part to COVID increased donations), my fear in raising wages to entice employees is sustaining that increase (plus everyone else to retain current staff) when our revenues go back to normal levels.”

Finally, these concerns expressed by a professional at a healthcare and mental health provider in Billings, while deeply troubling, are representative of many: “Our biggest issue isn't lack of clients/patients who desperately need services, it's the inability to find staff to run programs. This is acute at every level of the organization, but particularly at the entry level. For the first time with this organization, I'm worried about the future for it and every other nonprofit in the state.”

Tax Policy Solutions

Montana Nonprofit Association joined more than 1,500 organizations from all 50 states in signing onto the recent letter to Congress and the Administration seeking [Pandemic and Workforce Shortage Relief for Charitable Nonprofits](#).

Among other things, our letter calls on Congress to address critical staffing shortages at nonprofits by retroactively restoring the Employee Retention Tax Credit, as proposed in the bipartisan ERTC Reinstatement Act (S. 3625), and extend this refundable payroll tax credit through 2022. To address the impact of the unique impact of nonprofit workforce shortages on individuals and communities, we ask that you modify nonprofit eligibility under the ERTC beyond the current “gross receipts” test to ensure more nonprofits qualify.

Volunteers Have Not Returned

A unique aspect of charitable organizations is that they can expand their impact by leveraging the commitment of armies of volunteers who are dedicated to the work of nonprofits in their communities. Pre-pandemic [estimates by AmeriCorps](#) indicate that the volunteerism rate in Montana was 38.8%, contributing 28.8 million hours of service. Nationally and in Montana, nonprofits reported throughout the pandemic that volunteerism dropped precipitously. Now, however, as many businesses return to public operations, many nonprofits still have not seen their volunteers return to pre-pandemic levels.

Montana: Last summer, Montana Nonprofit Association surveyed organizations to determine the impact of various challenges they were experiencing that they “attribute to the ongoing COVID-19 pandemic or related economic factors.” According to 200 respondents, loss of volunteers (38.3%) was the most pervasive challenge reported, followed closely by an inability to raise new or different funds (36.8%) and loss of regular funding (30.8%). More than 5,300 nonprofits in Montana are entirely volunteer led. Volunteering is still depressed – parents have additional family demands, older Montanans and others from vulnerable populations have safety concerns with returning to in-person volunteering, and in general people are stressed and have reduced time and energy to volunteer. For Montana to recover, volunteers must be re-deployed with systems that support their contribution.

Tax Policy Solutions

As discussed in the recent [nonprofit letter on policy priorities](#), Congress can incentivize volunteerism by eliminating unfair tax policies.

Specifically, we seek an increase in the Volunteer Mileage Rate for nonprofit volunteer drivers to the business rate (58.5 cents/mile) for 2022 and the elimination of the tax on mileage reimbursements up to the business rate.

The rapid increase in gas prices mean that many nonprofits will need to reimburse their volunteers for driving on the charity's behalf. Yet, those drivers will be forced to pay income tax on any reimbursement rate greater than the volunteer mileage statutory rate of 14 cents per mile. This existing tax policy, enforced at both the federal and state levels, imposes a disincentive on all but the most well-off volunteers. It is unfair, harmful to the missions of charitable organizations, and must be changed.

As you consider the issues raised during the Finance Committee hearing, we ask that you reflect in the important, sustaining work that Montana nonprofits performed throughout the pandemic and recognize that our challenges are far from over. Most for-profit businesses and government offices have reopened and are hopefully experiencing a return of some level of normalcy. Most charitable organizations – particularly those addressing the immediate needs of our residents – never closed, which brings its own issues of compassion fatigue and job turnover on top of the issues outlined above. At this stage in the pandemic when demand for nonprofit services remains high, Montana's nonprofits remain short of resources to meet normal as well as pandemic-related expenses. In light of these compelling challenges, we ask that you champion tax-policy solutions, at the hearing and in the Senate, that will restore and enhance the charitable giving incentives and the Employee Retention Tax Credit, and remove tax disincentives for volunteers to support the missions of nonprofits in their communities.

Thank you, Senator Daines and members of the staff. We deeply appreciate your service and your time. We have given you the information we feel you need most to understand how Montana's nonprofit picture intersects with the broader picture you will gain at the upcoming hearing so that you can advocate on behalf of the many communities that look to nonprofits to uphold the best of Montana for all of us. Please reach out if I can provide additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Liz Moore", with a long horizontal flourish extending to the right.

Liz Moore, Executive Director