



2018 PUBLIC POLICY SLATE

Philanthropy New York

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Philanthropy New York 2018 Public Policy Slate

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Why Philanthropy New York Engages in Policy Work

Philanthropy has a special place in the United States – our history and laws set out a remarkable independent sector that is intended to achieve social good in countless ways that government might not. The philanthropic sector is not monolithic and every funder has its own unique take on how to make the world better, but the social, economic and political polarization of our era calls for philanthropy to strategically and thoughtfully support the changes needed to develop a more equitable, sustainable, and democratic society. Philanthropy New York’s mandate is to advocate not only for the specific policies that would improve the functioning of the nonprofit and philanthropic sectors, but also for the fundamental and essential value of a thriving independent philanthropic sector.

The goal of our public policy work is to cultivate and catalyze institutional leadership around public policy, advocacy and collaboration in the sector by (1) identifying issue trends; (2) strengthening PNY’s role as an advocate for policies that affect the philanthropic field; (3) developing new training for our members in policy and advocacy; and (4) bringing together members to advocate on critical issues.

Core Principles for PNY’s Policy Work

At Philanthropy New York, we believe it is critical that the United States, the State of New York and New York City (and other cities and counties across the state) maintain laws, regulations and administrative policies that nurture our nation’s nonprofit and philanthropic sectors. We are guided by these basic principles on strengthening and promoting our nation’s philanthropic sector:

- We will champion and shine a spotlight on the unique ability of foundations – whether limited-life or endowed for perpetuity – to use their resources for social good over the long-term.
- We will advocate for policies that create an environment in which philanthropy flourishes, including taking positions on tax policies that provide incentives for giving like the charitable deduction and tax policies specifically affecting foundations such as simplifying the excise tax on private foundations.
- We will balance our work advocating for tax policies that allow philanthropy to flourish with education about the facts surrounding how reduced government revenues affect the work of the nonprofits our members support.
- We will defend the laws that allow philanthropic organizations and the nonprofits they support, including nonprofit associations, to play a vital and active role in public dialogue.

Policy Agenda for 2018

In line with core principles above, we present here the issues that Philanthropy New York's Public Policy Committee and Board of Directors have reviewed and approved, and which PNY staff may engage on, along with the scope of anticipated activities for each issue.

Federal Policy Concerns

Philanthropy New York will work with our partners at the United Philanthropy Forum, the Council on Foundations, Philanthropy Roundtable/Alliance for Charitable Reform, Independent Sector, the National Council of Nonprofits and other advocates for the sector on federal laws, regulations and administrative implementation that directly affect the philanthropic and nonprofit sectors. These federal issues, which we will monitor and advocate as opportunities arise, include:

Federal issues that PNY's Board has already approved official statements:

Tax Reform that Sustains and Grows Charitable Giving

While Philanthropy New York took a [position in 2013](#) advocating for "maintaining the full deductibility" for donations to charity, that statement did not take into account several potential directions that tax reform deliberations were taking in Fall 2017, such as raising of the standard deduction, the adoption of caps or floors on the charitable deduction and the possibility of a "universal charitable deduction." With an expanded statement approved by the PNY Board in November 2017, Philanthropy New York supports efforts to revise the tax code in ways that will further incentivize charitable giving and opposes efforts that would reduce charitable giving, including the following:

- a. **PNY supports extending the charitable deduction to all tax payers**, otherwise known as the "Universal Charitable Deduction." According to Independent Sector research, "Expanding the charitable deduction to non-itemizers, as a stand-alone provision, increases total giving by between 1.3 percent and 4.3 percent and has a negligible effect on total tax revenue (decrease by 0.41 percent to 0.47 percent)."
- b. **PNY opposes raising the standard deduction, unless a "universal charitable deduction" is extended to all taxpayers or other offsetting changes are made to the tax code to maintain the impact of the current deduction on charitable giving.** Raising the standard deduction would significantly decrease the number of Americans utilizing the charitable deduction, resulting in decreased charitable giving.
- c. **PNY opposes caps on the charitable deduction.** Research indicates a cap on the charitable deduction would reduce the amount of giving from those in the highest income tax bracket.
- d. **PNY could support a floor on the charitable deduction that increases giving.** A floor would decrease the number of middle- and low-income tax payers who would be able to utilize the charitable deduction; however, Urban Institute research indicates that a well-crafted floor might actually increase overall giving by incentivizing giving levels to meet the floor.

The tax plan passed by Congress in December 2017 does double the standard deduction and did not include a universal charitable deduction.

2018 Activities: Philanthropy New York will communicate with our entire U.S. Congressional delegation the official position we have taken on maintaining (and restoring) the full value of the charitable deduction. We may also write and disseminate editorials on this topic and further draw attention our

position. We will work with partner associations that are working on these related issues and sign on to appropriate public statements. PNY will advocate for additional changes to the tax code in the future that includes a universal charitable deduction and other policies that return the full value of the charitable deduction.

Estate Tax

The estate tax is a complex issue but an important one for the nonprofit sector because of its impact on charitable giving. According to the Congressional Budget office, eliminating the estate tax would decrease donations to nonprofits. The CBO has also found that the estate tax leads affluent individuals to donate far more than they otherwise would, because such donations sharply reduce estate tax liability, and that repealing the estate tax would reduce charitable bequests by 16 to 28 percent. For this reason, many nonprofit advocacy organizations have opposed the elimination of the estate tax. The existence of the estate tax has historically played an important role in motivating donors with large estates to establish private foundations, and therefore expand the philanthropic sector and increase long-term charitable giving. The continued existence of the estate tax therefore directly effects creation of new foundations and the health of the philanthropic sector. Therefore, Philanthropy New York opposes the elimination of the estate tax, and opposes any future increases in the exemption level beyond the current inflation-indexed rate set in 2013. The tax plan passed by Congress in December 2017 doubled the estate tax exemption levels, but did not eliminate the estate tax altogether.

2018 Activities: Philanthropy New York will communicate with our entire U.S. Congressional delegation the official position we have taken on maintaining the estate tax. We will advocate for a return of the estate tax to levels consistent with pre-2017 tax law levels. We may also write and disseminate editorials on this topic and further draw attention our position. We will work with partner associations that are working on these related issues and sign on to appropriate public statements.

Johnson Amendment, Nonprofit Political Activity

Philanthropy New York opposes the repeal of the Johnson Amendment. Enacted in 1954, the Johnson Amendment is a provision of the U.S. tax code that prohibits all 501(c)(3) nonprofit organizations – including charitable foundations, universities, hospitals, churches, food pantries, think tanks and countless other types of social purpose organizations that receive tax-deductible contributions – from endorsing or opposing political candidates. The Johnson Amendment only prevents such organizations from engaging in electoral politics, it does not prevent them from engaging in issue advocacy or in lobbying on specific legislation. The tax plan passed by the House in November 2017 included language that would have significantly weakened the Johnson Amendment. The provision (Sec. 5201) would have granted a partial exemption from the Johnson Amendment to houses of worship and their auxiliary organizations. The Senate also included language weakening the Johnson Amendment in its version of the tax bill, but it was stripped out after the Senate Parliamentarian ruled that it could not be included in a budget bill, and so the final bill signed by President Trump left the Johnson Amendment intact. Nonetheless, the issue may arise again in 2018.

2018 Activities: PNY will monitor Congressional proposals related to the Johnson Amendment and continue talking with NY Senators and Representatives to communicate the importance of the Johnson Amendment to nonprofits and the potential impact of repeal. It may also write and disseminate editorials on this topic.

Private Foundation Excise Tax

Philanthropy New York supports simplifying the federal excise tax on private foundations. On May 4, 2017, Congressman Erik Paulsen (R-MN), together with Congressmen Danny Davis (D-IL), Pat Tiberi (R-

OH), George Holding (R-NC), and Richard Nolan (D-MN), introduced a bill (H.R. 2386) to simplify the private foundation excise tax to a flat rate of one percent. A proposal to simplify the excise tax on private foundations was introduced to 2017 tax reform legislation, but did not make it into the final bill signed by President Trump.

2018 Activities: PNY will continue to talk with NY Senators and Representatives to communicate our established position and look for opportunities to coordinate with national partners taking the lead on this issue.

Federal issues, on which PNY's Board has not taken an official position, but which are in line with the work of the Forum or Council on Foundations:

IRA Charitable Rollover

In 2014, PNY's Board approved an [official statement advocating for the passage of the America Gives More Act](#) (our primary focus was a provision to simplify the excise tax on private foundations), a component of which was a provision expanding and making permanent the IRA Charitable Rollover. While the America Gives More Act did not become law, later legislation moved the IRA Charitable Rollover forward. In December 2015, the IRA Charitable Rollover was made permanent and passed by Congress and signed into law by the President, allowing taxpayers age 70½ or older to transfer up to \$100,000 annually from their IRA accounts directly to charity without first having to recognize the distribution as income. However, limitations remain: It applies only to those over 70½; the amount is capped at \$100,000; and donors are specifically not permitted to make charitable rollovers to donor-advised funds, supporting organizations and private foundations. The Council on Foundations supports enhancing the IRA Charitable Rollover by dropping the age threshold and expanding the organizations eligible for transfer of the IRA distribution to donor advised funds, supporting organizations and private foundations. PNY is generally supportive of the Council's position on the IRA Charitable Rollover because of the impact on increasing charitable giving, but has not taken an official position.

2018 Activities: It is unclear whether or not this issue will see any action in the coming year. PNY will continue to monitor legislative activity and work with national partners who would take the lead if legislation moves forward.

Donor Advised Funds

PNY has produced an [issue guide](#) to help increase understanding of DAFs. A small number of advocates have lobbied key congressional leaders to institute a minimum annual payout or mandatory spend-down requirement on DAFs. Philanthropy New York has not taken an official position, but we are generally supportive of the position of the Council on Foundations, which opposes policy that would mandate payout requirements. The Council points to the value of DAFs to increase overall charitable giving, and that is also in line with our stated principles. Tax reform legislation presented in Congress in November 2017 contained provisions requiring DAFs to disclose their policies on donor advised funds as well as the average amount of grants made, on an annual basis. However, the final version of the bill signed by President Trump included no changes to DAF reporting requirements.

2018 Activities: PNY will continue to monitor proposals related to DAFs and inquire with members about how those proposals would affect the sector. Since current legislation has not moved substantially toward a mandated payout level, this issue will probably take a back seat to other more pressing concerns of the sector.

IRS Rules on Nonprofit Political Activity

In 2013, U.S. Treasury and IRS issued proposed guidance regarding tax-exempt social welfare organizations – 501(c)(4)s – on candidate-related political activities. The guidance would have defined nonpartisan activities as “political” and would have had vast potential implications for 501(c)(3)s also. The Council has stated that, “The proposed rules would create tremendous uncertainty, confusion and burdensome compliance costs. In the face of this uncertainty, foundations concerned about compliance are far more likely to be cautious and potentially stop their grantmaking for civic engagement activities altogether. The Council strongly urged Treasury to consider the impact of this proposed rule on the larger civic education environment in the United States.” In response to a very high level of public comments on the rules, most in opposition, Treasury withdrew the rules and promised to publish a

revised version in 2015. That did not occur, and with the new tax reform legislation presented in Congress in November 2018 moving in the direction of allowing expanded leniency for churches on political advocacy, new Treasury guidance limiting the political activities of 501(c)(4)s seems unlikely. **2018 Activities:** Philanthropy New York, relying on the efforts of the Council, will continue to monitor any developments from Treasury and the IRS on these regulations. In the unlikely event a bill is proposed or new rules promulgated, we will work to create an official policy position for PNY and coordinate with national partners.

Private Foundation Distribution Requirements

In recent years, there have been occasional proposals to increase the required distribution by private foundations beyond the current 5%. A mandated payout rate over 5% would, over the long-term, reduce the funds available to foundations to make grants to nonprofits. The imposition of a larger payout amount would have the effect of forced sun-setting for foundations that might otherwise choose to operate in perpetuity. Philanthropy New York has not yet taken an official position on payout rates.

2018 Activities: Legislation on private foundation distribution requirements is unlikely to arise in 2018. Nonetheless, PNY will continue to monitor and work with national partners if potential legislation is being formulated. If changes in rules are proposed on legislation introduced increasing the payout rate, we will immediately bring the issue to the Public Policy Committee.

April 15 Charitable Deduction Extension

In 2014, the U.S. House passed legislation that would enable donors to contribute to charities until April 15 and still claim the deduction in the tax year ending the previous December 31. According to research from the Urban Institute, this change would vastly increase charitable giving, without any loss in revenues to the government. Support of this proposal, would be in line with our principles, though PNY has not taken an official position to date.

2018 Activities: There was a small possibility that extension of the charitable deduction deadline might arise in 2018 as part of a larger tax reform package, but that did not happen. If it were to arise as part of future tax reform negotiations, PNY would support legislation on this issue, as it is consistent with our principles outlined above in the section “Tax Reform that Sustains and Grows Charitable Giving.”

Federal issues we are tracking and which may come before the Public Policy Committee in 2018:

The Effects of Lower Federal Revenues on Nonprofits

The nonprofit sector has seen its capacity severely diminished over the past two decades of ceaseless government budget cuts at the federal and state levels. Philanthropy New York is generally opposed to tax reform legislation that would further decrease federal revenues because it would directly lead to further cuts in spending that would broadly impact the nonprofit sector.

2018 Activities: The effects of decreased revenues on the nonprofit sector did arise in the course of public debate on tax reform. PNY will continue to talk with NY Senators and Representatives to communicate our established positions in favor of tax reform that sustains and grows charitable giving and opposition to the elimination of the estate tax, as well as the potential ramifications that any potential reduction in overall government spending will have on the nonprofit sector.

Full Funding for Census 2020

Along with the National Council on Nonprofits, the United Philanthropy Forum and several RAs across the nation, PNY believes that the accuracy of census data is crucial because it affects so many aspects of apportionment and government spending decisions. PNY will work with nonprofit partners to promote inclusive assessment and responses to community needs based upon consistent, comparable, valid, objective and inclusive census data. The decennial census count doesn't just determine voting representation (New York State will probably lose one congressional seat in redistricting after the 2020 Census, but could lose two seats without a full and accurate count). The census also determines the geographic distribution of a huge amount of federal funds – from human services programs like Medicaid, SNAP, S-CHIP, WIC, and housing vouchers to large-scale capital investments like highway planning and construction. For fiscal 2015, it was estimated that 300 federal programs were shaped by the census, determining the allocation of approximately \$700 billion for that year alone. Corporations also rely on census data to inform their business strategies and need accurate information. However, the federal government has made statements indicating it will reduce funding to the Census Bureau.

2018 Activities: PNY will communicate with the New York Congressional Delegation about the importance of full funding for Census 2020 in the 2018, 2019 and 2020 federal budgets. We may ask the Public Policy Committee to consider a more public statement on the matter.

New York State Concerns

NY State issues that PNY's Board has already approved official statements:

Government's Responsibility to Reimburse Indirect Costs

In December 2014, the federal Office of Management and Budget formally recognized, in new rules called the Uniform Guidance, that when governments hire nonprofits to provide services, those nonprofits incur indirect costs (often referred to as overhead or administrative expenses) and that government should pay for those costs. The Uniform Guidance supersedes all previous OMB directives regarding use of federal funds to pay nonprofits for services delivered under grants and contracts. The new rules expressly require pass-through entities using federal funds – typically state and local governments – to reimburse nonprofits for the reasonable indirect costs they incur when performing services on behalf of governments. Nonprofits that have previously negotiated a federal indirect cost rate must be paid using that rate. Nonprofits that have never had a federally approved indirect cost rate can elect either the minimum rate of 10 percent of their modified total direct costs or to negotiate a higher rate in accordance with federal cost principles. As of Fall 2017, neither the State of New York nor New York City have implemented contracting procedures that are fully consistent with the new rules and continue to develop RFPs and contracts with overhead rates that are significantly less than those to which nonprofits are entitled by the federal rules. Following an extensive review process in 2016, PNY took two official positions: Philanthropy New York urges New York State and New York City to immediately act in compliance with OMB Guidance on Indirect Costs. **Further, [Philanthropy New York encourages New York State and New York City to integrate contracting procedures that will consistently reimburse nonprofits for their full federally-negotiated indirect cost rate or, for nonprofits that don't have one, a negotiated rate in accordance with federal cost principles or a minimum rate of 10 percent of total direct costs.](#)** Since then, New York City has moved in a significantly positive direction, announcing that it would gradually, over the next five years, move indirect cost rates up to 10 percent. This is a very positive move, but it still does not bring the City to full compliance with OMB Uniform Guidance that indicates City and State agencies should accept a higher than 10 percent if a nonprofit already has a federally negotiated rate. New York State has still not taken any concrete action.

2018 Activities: Following on the August 2016 official policy positions on these issues taken by PNY (the appropriate State and City officials are aware that our organization has taken these positions), we will continue to work closely with our nonprofit advocacy partners to convene sector and government leaders to move toward a more reasonable approach to indirect costs in government contracts. At the moment, our nonprofit partners seem relatively satisfied with the City's progress, but increasingly frustrated with the State's lack of action. At the same time, nonprofits are focused on State issues such as contracts that do not take into account the rise in state minimum wage and the need for investments in nonprofit capital needs. Therefore, PNY will support our nonprofit partners on indirect cost rates, but will not get out ahead of them.

NY State issues, on which PNY's Board has not taken an official position, but which are in line with our stated principles including supporting the work of our nonprofit association partners:

“Real Costs” Budgeting

Because of OMB Guidance on Indirect Costs, there is an ongoing conversation about indirect costs (which generally refers to administrative and operational expenses that are naturally incurred in the course of providing services on behalf of government), but there remains almost no acknowledgement by state and local government of nonprofits’ needs for reserve and capital funds. Full Costs/Real Costs is a more inclusive term and is associated with an ongoing discussion in the sector about the need for government contracts to recognize those needs as well. PNY has not taken an official position on “full cost budgeting” – as it relates to both government and foundation budgeting – but is generally supportive of efforts to increase the overall sustainability of the sector.

2018 Activities: Without a strong current push from either the nonprofit or funder community, this issue is currently on the back burner.

Protecting Nonprofit Advocacy

Similar to the federal item “IRS Rules on Nonprofit Political Activity” above, at the New York State level, the sector faces increasing calls for laws and regulations that would curtail nonprofits’ ability to engage in public dialogue. Philanthropy New York supports the rights of charitable organizations to continue their involvement in public policy debates in accordance with the current rules and regulations. PNY opposes additional limitations on the ability of nonprofit organizations to participate in the public policy process, including legislation or rules that: Place more burdensome reporting and disclosure on nonprofits than on business or governmental bodies; restrict the ability of nonprofits that apply for or receive government funds to use nongovernmental funds to conduct nonpartisan advocacy, lobbying or other legitimate program activities that further their charitable missions; and unnecessarily limit public policy input from nonprofits that would otherwise be allowed to participate in public discourse. In August 2016, Gov. Cuomo signed legislation that imposes sweeping disclosure requirements on nonprofit lobbying groups and donors to them. According to news coverage of the legislation:

“The measure will greatly increase the donor information some nonprofits will be forced to disclose to the government. It requires issue-oriented lobbying groups in New York — designated as 501(c)4 groups — that spend more than \$15,000 in a year on lobbying to disclose donors who give more than \$2,500. The previous limits had been \$50,000 and \$5,000, respectively. If a charitable, tax-exempt nonprofit — which are designated as 501(c)3 organizations — gives more than \$2,500 to a covered 501(c)4, the charity will have to disclose all of its donors during that six-month filing period to the state Attorney General's Office, which will review the donors' identities for privacy issues before disclosing them to the public.”

These new reporting requirements are likely to discourage donations to legitimate, charitable activities. The foundations of the ACLU/NYCLU have jointly filed a lawsuit saying the law violated the First and Fourth amendments, and a judge has stayed the implementation of the statute as the lawsuit continues through the courts. Foundations’ concern on this issue was raised with NY Charities Bureau Chief James Sheehan in January 2017, but he was unable to comment due to the ongoing litigation.

2018 Activities: PNY will continue to track the litigation and inform its members when these new requirements take effect.

Protecting Charitable Giving Incentives

PNY will continue to support existing income tax credits, deductions and other vehicles at the NY State level that provide incentives for increased charitable giving.

2018 Activities: We don't anticipate any changes to New York State law in 2018 that would either increase tax incentives for charitable giving or reduce charitable giving incentives.

Nonprofit Tax Exemption

PNY will work to protect the special legal and tax status of nonprofits that exist in New York and in every other state of the nation. In states and municipalities across the nation, government leaders are questioning the nonprofit status of large nonprofit institutions and seeking tax payments and fees. PNY aims to protect the special tax status of nonprofits, defend the rationale for them and promote the extraordinary contributions of nonprofits to communities beyond property tax payments and other revenue generation government seek to impose on them (See also PILOTs in NYC section below).

2018 Activities: While we don't know of any ongoing efforts in the state that would affect nonprofit tax exemption, PILOTs are a real possibility at any time, especially in upstate municipalities that face property tax revenue challenges. PNY will continue to monitor, and since our upstate counterpart NY Funders Alliance is currently in a leadership transition, be prepared to voice the concern of the philanthropic sector if action is required anywhere in the state.

Census Count in New York State

As noted above in the federal section "Full Funding for the 2020 Census," the decennial count could have tremendous impact on the nonprofits of our region and the communities they serve. At the local level nonprofits and funders are coming together to guard against an undercount of hard-to-reach communities.

2018 Activities: PNY is supporting about a dozen members that are forming the 2020 Census Funders Work Group, which aims to plan and identify needs in the lead up to the 2020 Census, monitor and support an accurate count as it happens, and follow through on the information generated by the 2020 Census to ensure it is used properly in community representation and funding allocations. We are also continuing to work with NPCC on this issue to inform our respective members about the need to prepare for a fair and inclusive census count. PNY will support our members and nonprofit partners in calling for State and City to support outreach efforts.

Nonprofits and the Cost of the Rising Minimum Wage

The nonprofit community thanked the Governor for taking the lead on raising the minimum wage across the State. Unfortunately, human services contracts across the State have not been adjusted to reflect the increase in the minimum wage, leaving the nonprofits themselves responsible for \$23M in additional wage costs. Individual organizations are projecting deficits upward of \$2 million once the minimum wage increase is fully implemented. Many organizations see a \$30,000-400,000 deficit looming this year and next, and due to financial constraints, anticipate closing programs to bridge this funding gap. The Human Services Coalition has called on New York State to rectify this situation.

2018 Activities: PNY supports HSC in its efforts to ensure that state contracts reflect the real operating costs of providing services and will lend support to its messaging efforts, concentrating on the effects on the resources of the philanthropic community.

Nonprofit Infrastructure Capital Improvement Program

New York State created the Nonprofit Infrastructure Capital Improvement Fund to support the infrastructure, technology and other capital needs of nonprofits not included in current contracts. More than 600 organizations applied for the first \$100 million allocated for the 2016 and 2017 fiscal years and 237 awards were granted. There remains substantial outstanding need in the nonprofit community for capital investment that is still not included in service contracts. The Human Services Coalition is calling for an additional \$100 million to be allocated to NICIF and awarded to nonprofits for capital needs.

2018 Activities: PNY supports HSC in its efforts to ensure that state contracts reflect the real operating costs of providing services, and while the long-term solution is indirect cost rates and “real cost budgeting” that allow nonprofits to be reimbursed for such costs on a consistent basis, PNY will lend support to its messaging efforts calling for additional funds for the NICIF.

Value-Based Payments Commission Recommendations

New York’s healthcare sector is a massive portion of our economy, and Medicare and Medicaid are driving forces in how it does business. As the system looks for ways to reduce costs, its leaders are increasingly focusing on the “social determinants of health” along with the providers of social services that help improve vulnerable people’s lives and could prevent costly healthcare consumption. DSRIP (the Delivery System Reform Incentive Payment program) has been a major driver of change. It set a goal that by 2019 all Managed Care Organizations must employ a non-fee-for-service payment system that rewards value over volume for at least 80-90% of their provider payments – thus shifting to “value over volume” and integrating physical and behavioral primary care including social services interventions and community-based prevention activities. This change – for the healthcare system to invest in the social services that keeps people healthier – could have a huge positive impact on the nonprofit sector. The Human Services Coalition has created the “Value-Based Payment Commission” to research concerns in the human services sector and make recommendations that will present a basic framework for how health systems and the human services sector should interact.

2018 Activities: PNY and several of its member foundations are serving on the Value-Based Payment Commission and expect to work in partnership with HSC to create messaging that supports its findings.

New York City & Regional Concerns

Local issues that PNY's Board has already approved official statements:

Government's Responsibility to Reimburse Indirect Costs

See above discussion in the NY State section on this topic, which applies equally to New York City and other municipalities. Philanthropy New York urges New York State and New York City to immediately act in compliance with OMB Guidance on Indirect Costs. **Further, [Philanthropy New York encourages New York State and New York City to integrate contracting procedures that will consistently reimburse nonprofits for their full federally-negotiated indirect cost rate or, for nonprofits that don't have one, a negotiated rate in accordance with federal cost principles or a minimum rate of 10 percent of total direct costs.](#)**

2018 Activities: Indirect costs is one of the central issues being taken up by the Nonprofit Resiliency Committee formed by the de Blasio administration in September 2016. The committee is set to be a two-year initiative, so there will not be immediate actions or recommendations. The committee is looking at a much wider swath of issues beyond indirect costs, including contracting process inefficiencies, improvements to the HHS Accelerator, data reporting mandates, cash flow and prompt payment, engagement of nonprofits in RFP formulation, cost escalation, full cost issues and a variety of other issues related to dedicating more resources to nonprofits building communities. PNY will continue to monitor the committee's activities and use our established official position to speak out with our partners.

Other local issues we're tracking:

Payments in Lieu of Taxes (PILOTs)

Laws in all 50 states provide property tax exemptions for nonprofits. For cities heavily reliant on the property tax, the exemption of nonprofits from property taxation means that homeowners and businesses bear a greater share of the property tax burden. Some local leaders have recently floated the idea of Payments in Lieu of Taxes (PILOTs) for property owning nonprofits in New York City. PILOTs are payments made "voluntarily" by tax-exempt nonprofits as a substitute for property taxes. Since 2000, they have been used in at least 177 municipalities in at least 18 states. According to the Urban Institute, while PILOTs have rarely brought in more than 1 percent of total revenues, the dollar value can be quite large. Boston, which has been the most aggressive municipality in developing its PILOT program is bringing in \$17.4 million in additional revenues (which is only .73% of its \$2.4 billion annual budget). The PILOTs issue concerns not just the relatively few philanthropic organizations that own the buildings in which they do their work, but all donors who are concerned about equitable government revenue generation and the fiscal health of nonprofit organizations. Philanthropy New York has not taken an official position on PILOTs, however we have produced an [issue guide](#) to increase understanding of the issue. PNY is generally supportive of the position of the National Council of Nonprofits, which has consistently opposed PILOTs across the nation.

2018 Activities: We don't anticipate any action on PILOTs in New York City, however, it is possible they might arise in municipalities across the larger region. PNY will continue to monitor and voice our concern if necessary.