

March 15, 2022

The Honorable Ron Wyden
Chair
Committee on Finance
United States Senate
Washington, DC 20510

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

Dear Chair Wyden,

On behalf of the Nonprofit Association of Oregon (NAO) and the 23,020 charitable nonprofits in our state, I write in advance of the upcoming hearing, “Examining Charitable Giving and Trends in the Nonprofit Sector,” to thank you for convening this important hearing. We also write to express our appreciation for your past support for pandemic relief, to update you on the ongoing challenges that nonprofits are facing, and to explain the need for targeted relief within the jurisdiction of the Senate Finance Committee.

In [2020](#) and [2021](#), NAO undertook robust data analysis that shows the immediate and continued impact the pandemic has had on Oregon nonprofits.

In the face of the ongoing public health and economic crises, too many Oregon nonprofits are still struggling to meet increased demands for services, confronting a combination of 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. More than 3,000 Oregon nonprofits received nearly \$600 million in forgiven PPP loans in 2020 and 2021, according to [Small Business Administration data](#). Those funds saved at least 78,000 nonprofit jobs, the SBA reports, which enabled these organizations to serve our communities. However, the PPP program and most other pandemic relief programs have expired, yet the need for, and burdens on, charitable organizations remain great.

With the above context, now address 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 advancing nonprofit missions.

Charitable Giving Has Not Kept Up

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.”

Nonprofits that said donations were essential to their revenue stream were also more likely to experience decreased donations in 2020.

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 some 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 – 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, individuals in our communities continue to come to their local nonprofits for support, and private giving to these frontline organizations still has not returned to pre-pandemic levels. We anticipate that the need to restore and improve these giving incentives will be extensively discussed during the Senate Finance Committee hearing on Thursday. We want to be clear that the Nonprofit Association of Oregon strongly supports renewal of the universal charitable (non-itemizer) deduction at least through 2022. Indeed, 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 of mission are experiencing is the inability to hire and retain qualified workers. The Federal Reserve survey, referenced 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. The report found, “as of the end of 2021, nonprofits have recovered approximately 72.1% of the jobs estimated to have been lost as of May 2020.”

This past fall, the Oregon nonprofits participated in a survey conducted by the National Council of Nonprofits focusing on the difficulties nonprofits across the country were confronting in retaining staff and filling vacancies. As we’ve shared previously, three in ten Oregon nonprofits shared job vacancy rates of between 10% and 19%, and a troubling 34% responded that they had job openings

for 20 to 29 percent of their positions. Another nine percent reported vacancies greater than 30 percent.

The survey also asked nonprofits to provide the impact of job vacancies as demonstrated by waiting lists for services. Nearly one in three (34.6%) percent of responding organizations in Oregon reported having a waiting list that is more than a month long, with some organizations highlighting that clients have to wait years to receive services. While 25 percent of respondents acknowledged that they do not have a wait list, they clarified that it is because they are no longer accepting new clients or referrals and have turned people away at some point. Twenty-five percent noted that the question does not apply to their operations

Nonprofits participating in the survey reported accessing various relief programs during the pandemic. The **Paycheck Protection Program** loans were secured by 77.8% of respondents; followed by access to **state relief funds** (38.9%) and **American Rescue Plan Act** (ARPA) funds (24.4%) and **local relief funds** (25.6%). Importantly for the Committee's hearing, an estimated one in five respondents (21%) reported having claimed the **Employee Retention Tax Credit** (ERTC).

The survey responses of Oregon nonprofits make clear that these workforce challenges are no mere inconveniences; they are hurting the people the organizations serve. One Oregon human service provider has stopped taking referrals due to four vacancies at three locations. Another nonprofit shared, "I increased salaries, PTO, and benefits and folks are just tired," before explaining the chief culprit: "Burnout." A separate nonprofit in the state wrote, "Many staff have left due to transitions traced back to the strains and stress of the COVID-19 pandemic on top of tough jobs."

Here are a few more of the dozens of comments shared by Oregon charitable organizations:

- "The demographic of our clients has changed and we are serving more chronically homeless and mentally ill people. It weighs heavily on all the staff and volunteers that our services are only a band aid to much larger societal problems. The pandemic has brought more people to us needing services. Our frontline workers are exhausted and under stress which is amplified by the fact that they don't earn a living wage." – Human Services provider in Portland
- "Our issue is that we do not have enough veterinary staff and have had to close our clinic. – Environmental nonprofit in Bend
- "We are turning down 2+ referrals each week due to lack of capacity to provide services. All of our current clients are not being served to the greatest extent possible due to lack of capacity to provide services." – Human Services provider in Oregon
- "The nonprofit I work for supports survivors of sexual violence, stalking, sexual harassment, dating violence, trafficking and other forms of interpersonal violence. The agency provides services 24/7, 365 days a year, even during a pandemic. The nature of the work we do in providing support to trauma survivors and the hours we operate, take a toll on staff, during the best of times. During a pandemic, where staff have to juggle personal and professional challenges in new and wildly different ways, the rates of burnout are exponential. Burned out staff + 24/7 hours + working with trauma survivors + navigating a pandemic has impacted our ability to retain staff." – Human Services provider in Oregon

Tax Policy Solutions

The Nonprofit Association of Oregon and nearly 200 Oregon nonprofits 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, that 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. We also request that Congress revise the definition of eligible payroll expenses under the ERTC to include child care and education subsidies to reflect the increased costs charitable organizations experienced as they struggle to maintain or expand services. We believe this improvement is justified because, unlike for-profit employers, tax-exempt nonprofits are not currently able to receive income-tax relief for providing those employee benefits. Our proposal provides a level of tax fairness and parity that does not currently exist.

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 Oregon was 43.2%, contributing 177.7 million hours of service. Nationally and in Oregon, 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. An Oregon nonprofit professional recently wrote, “Our organization is struggling to meet the needs of our community due to a lack of volunteers and to a lack of support outside of our historical volunteer support.”

Volunteering is still depressed — parents have additional family demands, older Oregonians 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.

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.

American Rescue Plan Act Resources

Before closing, I want to raise an important issue that, while not within the Finance Committee’s jurisdiction, is of critical concern to the charitable nonprofits in our state. The American Rescue Plan Act allocated \$4.2 billion to governments in Oregon through the Coronavirus State and Local Fiscal

Recovery Fund. The federal government is showing tremendous trust that governments closest to the people and their problems are best positioned to decide the best ways to spend their allocated resources to meet local needs. While available for many purposes, the statute and Treasury Department regulations make abundantly clear that governments at all levels may use these funds in partnership with charitable nonprofits to address many challenges in our communities. The Nonprofit Association of Oregon is actively engaged in working with state and local officials to ensure the money is properly invested. We ask that you and your Senate colleagues allow these ARPA funds to go to the state and local governments as scheduled so that we may achieve greater impact.

Conclusion

As you consider the issues raised during the Finance Committee hearing, we ask that you reflect in the important, sustaining work that Oregon nonprofits performed throughout the pandemic and recognize that our challenges are far from over. Most for-profit businesses and government offices have or soon will reopen to something amounting to normal business. Most charitable organizations – particularly those addressing the immediate needs of our residents – never had the luxury of closing. Yet, at this stage in the pandemic when demand for nonprofit services remains high, Oregon’s nonprofits remain short of resources to meet normal as well as pandemic-related expenses. But we don’t just lack adequate resources; our nonprofits lack the staff and volunteers to meet the very high needs, which is resulting in waiting lists, denial of services, and outright closures of local nonprofits. 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,

A handwritten signature in black ink, appearing to read "Jim White", written in a cursive style.

Jim White, Executive Director, The Nonprofit Association of Oregon