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Federal

Step One

Spending Revoked and Capped in Debt Limit Deal

After acrimonious negotiations and nearly defaulting on federal debt obligations, Congress enacted the debt-limit and spending cuts deal struck between President Biden and Speaker McCarthy. The [Fiscal Responsibility Act](#) (P.L. 118-5) extended the debt limit through 2024, rescinded nearly \$30 billion in unspent pandemic-related funds, and imposed caps on federal spending for the next two fiscal years. Among the Covid-era spending cuts, the measure cancels about 3,000 AmeriCorps jobs this summer and in 2024. The law alters the Supplemental Nutrition Assistance Program (SNAP) by extending work requirements for some food aid recipients up to age 54 while expanding exemptions from the work requirements for veterans, homeless individuals, and young people coming out of foster homes. According to the [Congressional Budget Office](#), the Fiscal Responsibility Act will reduce the deficit by approximately \$1.5 trillion.

Worth Reading

- [Fiscal Responsibility Act, Section-by-Section Summary](#), House Financial Services Committee, May 30, 2023.
 - [CBO's Estimate of the Budgetary Effects of H.R. 3746, the Fiscal Responsibility Act of 2023](#), Congressional Budget Office, May 30, 2023.
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Step Two

Tax Cuts Next House Priority

Not even a week after the debt/spending measure was signed into law, House tax committee Chair Jason T. Smith (R-MO) announced a [series of three tax-cut bills](#) that are estimated to increase the federal deficit by at least \$21 billion or likely much more according to budget experts. The first measure, the [Working Families Tax Cut Act](#) (H.R. 3867), would provide a two-year increase in the standard deduction of \$4,000 for households that do not itemize (\$2,000 standard deduction for individual taxpayers). As drafted, the legislation would limit the full benefit to families earning less than \$400,000/year and would provide an extra tax break to the 90% of taxpayers who claim the standard deduction. Two additional bills, the [Small Business Jobs Act](#) (H.R. 3937) and the [Build It in America Act](#) (H.R. 3938), would repeal the reporting requirement for transactions above \$600 and restore a series of tax breaks for businesses, respectively. The latter measure would also reduce or eliminate some tax provisions in last year's Inflation Reduction Act designed to fight climate change. The package is not likely to advance in the Senate but components could be included in a potential year-end tax bill.

Worth Reading

- [With debt debate finished, House GOP unveils new bills to cut taxes](#), Tony Romm, *Washington Post*, June 9, 2023.
 - [Proposal to Increase the Standard Deduction in the Working Families Tax Cut Act, by ECI Percentile, 2024](#), Tax Policy Center, June 8, 2023.
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Federal *FastView*

- **Maintaining Voting Rights:** By a 5 to 4 vote, the U.S. Supreme Court last week maintained federal voting rights protections by upholding a lower-court ruling that struck down a redrawn **Alabama** congressional map that it found dilutes the political power of Black voters. [Allen v. Milligan](#). The state had redrawn congressional districts used the 2020 Census data in such a way that only one of seven districts had a majority Black population, even though African-Americans make up more than a quarter of the population. The Supreme Court ruling interpreted Section 2 of the Voting Rights Act of 1965 that bars voting procedures that result “in a denial or abridgment of the right of any citizen of the United States to vote on account of race,” such as, when racial minorities “have less opportunity than other members of the electorate to participate in the political process and to elect representatives of their choice.”
- **Non-Itemizer Giving Data, 2021:** The data are in: the universal charitable deduction that Congress put in place temporarily in 2020 and 2021 during the pandemic worked. Taxpayers who took the standard deduction on their 2021 tax returns were able to claim an additional \$18 billion in donations to the work of charitable nonprofits thanks to the universal charitable deduction, according to [interim data released by the Internal Revenue Service](#) last week. More than 47 million households utilized a tax incentive enabling individuals to claim \$300 in charitable deductions and couples to claim up to \$600 in deductions even while also taking the standard deduction. One-fifth (21.3%) of those donations came from taxpayers with adjusted gross income of less than \$30,000. In 2020, when the special deduction was limited to \$300/household, 42.2 million households claimed \$10.9 billion in additional giving. The universal charitable deduction expired after 2021. Passage of the [Charitable Act \(S.566 / H.R. 3435\)](#), an improved version of the giving incentive, is a major legislative priority of the charitable nonprofit community this year.
- **President Vetoes Student Debt Measure, Saves PSLF:** Last week President Biden [vetoed a joint resolution](#) of Congress using the Congressional Review Act that would have blocked his student debt cancellation plan. In addition, the resolution would have required immediate repayment of student loans, with due dates retroactive to last year, thus pushing many borrowers into arrears. That also would have automatically rendered millions of employees of charitable nonprofits and governments out of compliance with the [Public Service Loan Forgiveness](#) (PSLF) program. The measure would have effectively rescinded the PSLF credits and the loan forgiveness some borrowers

received under the program. See the [National Council of Nonprofits letter](#) opposing the resolution for more information. The U.S. Supreme Court is expected to make a final decision concerning the student debt cancellation plan by the end of this month. Federal loan payments will resume at the end of August under the [Fiscal Responsibility Act](#) (*i.e.*, the debt ceiling bill) passed 10 days ago.

- **Celebrating Pride Month:** In celebration of Pride Month, the White House released a [fact sheet detailing new actions to protect LGTBQI+ communities](#). The initiatives include protecting LGTBQI+ communities from attacks on their rights and safety, supporting LGTBQI+ young people by strengthening mental health resources and addressing homelessness, and shielding families from the growing threats of book bans. In announcing the initiative, the Administration wrote, “Over a dozen states have enacted anti-LGBTQI+ laws that violate our most basic values and freedoms as Americans, and are cruel and callous to our kids, our neighbors, and those in our community.”
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Worth Quoting

- “Today’s decision rejects efforts to further erode fundamental voting rights protections, and preserves the principle that in the United States, all eligible voters must be able to exercise their constitutional right to vote free from discrimination based on their race.”

~ [Statement from Attorney General Merrick B. Garland on Supreme Court Decision in *Allen v. Milligan*](#), Department of Justice, June 8, 2023.

IRS Warns of Employee Retention Tax Credit Scams

The Internal Revenue Service is stepping up warnings urging employers to beware of ads that promise big money with the Employee Retention Tax Credit (ERTC) that was created in the early days of the pandemic and expanded in late 2020. The IRS explains, “It’s a real credit, but scammers may tell you you qualify when you don’t. Don’t fall for it.” See the brief video, [Don’t Fall for Employee Retention Credit Scams English](#) | [Spanish](#).



Nonprofit Employers Included in Employment Mandates

With limited legislative attention to employment policy matters in Congress, lawmakers in the states are experimenting with their own variations on pay and benefits laws.

- **Overtime Pay:** The **Alabama** Legislature recently passed and sent to the Governor a bill to [exempt overtime pay](#) from state income taxes for the next two years.
- **Paid Leave:** [Minnesota](#) lawmakers enacted a paid leave law creating a program for up to 12 weeks of family leave and up to 12 weeks of medical leave. The measure, signed by the Governor late last month, appropriates \$1.7 billion for the paid family or medical leave program and imposes up to .7% payroll tax on employers, including nonprofits, with reduced rates for employers with approved private family and medical benefits. A similar paid leave bill is pending in [Maine](#).
- **Retirement Security:** **Vermont** Governor Scott signed retirement security legislation that establishes the [VT Saves Program](#) to provide access to an individual retirement account for employees of employers, including nonprofits, that do not offer a retirement savings plan. The new law will require employers

to offer their employees the choice to contribute to a payroll deduction IRA by automatically enrollment with an opt out.

- **Workers Compensation:** A recently signed law in **Maine** removes intentional acts and omissions from [workers' compensation exemptions](#). Specifically, the measure makes an employee, supervisor, officer, or director liable for sexual harassment, sexual assault, or an intentional tort related to sexual harassment or sexual assault.
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Promoting Democracy

Voting Legislation in the States

Voting issues and civic engagement continue to be hot topics in state legislatures as lawmakers seek to address problems, real or perceived, with voting procedures.

Minnesota lawmakers enacted a series of bills that [upgrade state elections laws](#). Changes include establishing early voting periods and extending absentee voting and mail ballot deadlines. Another measure [appropriates additional funds](#) for election administration and accessibility and provides protections for election administrators, voting locations, voting system data, and election workers. It also establishes protections against tampering with voting equipment, ballot boxes, voter registration lists. Separate [legislation expands voting access](#) by simplifying pre-filing voter registration applications, establishing automatic voter registration, clarifying absentee ballot applications and applicants list, requiring multilingual voting information, and establishing criminal and civil penalties for voter interference.

In **North Carolina**, a pending bill would [prohibit nonprofits from providing funding](#) to the State Board of Elections or to county election boards. The measure also seeks to eliminate the three-day grace period after Election Day for receipt of absentee ballots and require absentee ballots to be received by the county board of elections by 7:30 p.m. on Election Day. The legislation would require anyone who uses same-day registration during Early Voting to submit a provisional ballot. Overriding local autonomy, state lawmakers in **Texas** enacted legislation [removing local oversight of elections](#) in Harris County (Houston). A new law forces the county to eliminate its nonpartisan chief election official position and to [give state officials more authority over elections](#) by empowering the Texas Secretary of State, which historically has only provided elections guidance to counties, to intervene.

Worth Studying

- [A Democracy Crisis In The Making: June 2023 Edition](#), States United Democracy Center, June 8, 2023, finding that “38 states are considering 185 bills that would make it easier to overturn the will of the voters — and harder for trusted election officials to do their jobs.”
 - [Prosecutors Scrutinize Political Nonprofit Groups for Fund-Raising Fraud](#), David A. Fahrenthold, William K. Rashbaum, and Tiff Fehr, *New York Times*, June 1, 2023.
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Reforming Government Grants & Contracting Processes

The reform of outdated and broken government grantmaking and contracting processes remain high priorities in several states as legislatures race toward adjournment for the year. While broad reforms are possible, some states are taking small steps to streamline processes and allow more contractors, including nonprofits, to access government funding.

- **California:** Six out of seven bills in a [grants reform package sought by charitable nonprofits](#) are moving forward with unanimous approval thus far. The measures would require governments to make advance payments, provide flexibility during emergencies, modernize processes, streamline small grant programs, standardize indirect cost coverage, and provide equity in prompt payments. One bill that has so far not moved would require the state to pay full costs of delivering programs and services. [CalNonprofits and the California Nonprofit Equity Initiative](#) praises the package, saying it “will strengthen nonprofits’ essential partnership with the State.”
- **Minnesota:** In response to a major scandal, the state enacted a [sweeping grants reform law](#) that will require several new accountability measures, including permitting the government to request additional information and oversight for grantees that have not previously received state or federal funds of similar amounts or for similar duties. The new law authorizes technical assistance or funding for technical assistance to grantees. The [Minnesota Council of Nonprofits](#) explains the final version is less onerous and intrusive

than the original draft.

- **North Carolina:** The Legislature has approved and sent to the Governor a [so-called “anti-woke” bill](#) that would prohibit state agencies from promoting or providing workplace trainings covering 13 specific topics related to race and gender equity. Nonprofits that offer trainings to state employees would no longer be able to include content on topics related to equity, diversity, and inclusion. The bill would allow contractors (including nonprofits) providing trainings for state agencies to answer questions as long as they are clear that the state agency does not endorse the enumerated concepts. Due to the Republican supermajority in the Legislature, it is expected that the bill will eventually become law regardless of whether the Governor vetoes it.
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Worth Quoting

- “There’s already a workforce crisis for nonprofits, and a lot of that is because they cannot afford to pay competitive wages. That doesn’t change without significant funding increases, which means that fewer and fewer people are going to be working for nonprofits and that means fewer and fewer programs for people who need them. I don’t take any pleasure in saying that. It’s just fact.”

~ Gian-Carl Casa, President and CEO of the **Connecticut Community Nonprofit Alliance**, quoted in [Connecticut Nonprofits Want More Funds as State Considers Budget](#), Christopher Keating, *Hartford (CT) Courant*, May 30, 2023.

Houses of Worship, Nonprofit Increase Security Protections

State lawmakers have been providing funds for houses of worship and other nonprofits to fortify property in response to the rise in hate crimes and violence.

Florida recently enacted the [Nonprofit Security Grant Program](#) for grants of between \$10,000 to \$150,000 to nonprofits, including houses of worship and community centers, that are at high risk for violent attacks or hate crimes. Funds may be used to increase security and safety measures at the organization. A similar

program pending in [Arizona](#) would provide grants of up to \$100,000 to nonprofits that are at high risk of terrorist attack or hate crimes because of their ideology, beliefs, or mission. Last year security grant program bills passed in [California](#) and [Colorado](#).

Numbers in the News

\$17,833,403

The amount of charitable giving identified by nearly 47.8 million households who claimed the special charitable deduction on their tax returns in 2021. Normally, only taxpayers who itemize their deductions are able to claim charitable deductions and receive a tax benefit. A special deduction for people taking the standard deduction was available in 2021 that allowed them to claim a charitable deduction of up to \$300/individual and \$600/couple.

Source: [Individual Income Tax Returns - Tax Year 2021](#), Internal Revenue Service, Jun. 6, 2023.

June is

- [African-American Music Appreciation Month](#)
- [LGBTQ+ Pride Month](#)
- [National Caribbean-American Heritage Month](#)
- [National PTSD Awareness Month](#)

Nonprofit Events

- Aug. 3, [Nonprofit Talent Summit](#), Momentum Nonprofit Partners (Memphis)

Advocacy in Action

Using the Powers You Have

The Power of One

At a recent conference of a state association of nonprofits, the audience was invited not to embrace the latest fad or to calls for building better mousetraps. Rather, participants took a journey into “Using the Powers You Have,” to explore the unique features of “nonprofit-ness” that everyone in the audience committed to missions already has. Call them inherent strengths, unfair advantages, or super powers, there are things about charitable nonprofits and the people dedicated to them that enable - empower - these organizations to persevere, perform, and even thrive in adversity. The presenter discussed six unique nonprofit powers; this article focuses on the first one: The Power of One.

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