

Overcoming the Limits of Nonprofit Advocacy on Budget and Tax Issues

By Patrick Lester

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Last December, a debate erupted in Washington, D.C., over the appropriate position of the nonprofit sector on the fiscal cliff. The debate occurred after the Obama administration asked charitable leaders to back its position on increasing taxes on the very wealthy.

A few organizations decided to back the president's request, at least in general terms, including Independent Sector, the National Committee for Responsive Philanthropy (NCRP), the Association of Public and Land-Grant Universities, and Catholic Charities USA. The guarded nature of some of this support was evident, however, in a statement provided by Independent Sector, one of the nation's leading coalitions of nonprofit organizations, which cautiously supported "a modest tax increase on the 2 percent of Americans who can most afford it."

Even this was more than many large, mainstream nonprofits could support. Organizations such as United Way Worldwide, the Jewish Federations of North America, the National Association of Independent Colleges and Universities, and many others refused to back the president's position, arguing that they did not want to wade into what they considered a partisan political dispute. Most of their efforts were focused instead on opposing a potential limit on the deductibility of charitable contributions by high-income donors.

This narrow focus on the charitable deduction drew criticism from some in the nonprofit community, including Aaron Dorfman at NCRP. "Policies that incentivize charitable giving are important," he wrote, "but nonprofits should be far more concerned about several other elements of the fiscal cliff negotiations. Our number one priority should be to raise tax rates on the wealthy by allowing the Bush tax cuts to expire for Americans earning more than \$250,000 per year. We should also seek to prevent cuts to vital programs that serve poor and elderly Americans and to secure strategic investments that stimulate the economy and create jobs."

Dorfman is right. According to the National Center for Charitable Statistics, public charities that filed annual 990 forms with the IRS in 2010 derived about a third (32.2 percent) of their revenue from government sources, including grants and fees for service from government sources, such

as Medicare and Medicaid. By comparison, these same charities drew 13.3 percent of their funding from private contributions.

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