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To: The Honorable Steven Beshear
Governor, Commonwealth of Kentucky

From: Danielle Clore
Executive Director, Kentucky Nonprofit Network, Inc.

Date: February 3, 2014

Subject: Government Must Stand By Nonprofits

Thank you for addressing Kentucky's need for tax reform. As you finalize plans this week to share your proposal for modernizing Kentucky's tax structure, the Kentucky Nonprofit Network, Inc. – Kentucky's state association of charities – urges you to consider the impact and importance of the Commonwealth's nonprofit community and the Kentuckians we serve. We urge you to do all you can to ensure government stands by your vital partners in strengthening our Commonwealth.

Enclosed please find information on newly released data confirming that the nonprofit sector is the third largest industry in Kentucky, employing one in nine of our citizens. An additional enclosure highlights the importance of charitable giving and how any cap on itemized deductions that includes the charitable giving deduction would have a dramatic impact on Kentucky's nonprofit community. The charitable giving tax deduction is the only discretionary item included in a proposed cap.

Under your leadership, Kentucky has led the way in the implementation of health care reform. The Commonwealth is a forerunner in educational innovation. Now we have the opportunity to learn from Hawaii and Kansas, both of whom repealed their cap on itemized deductions to exclude the charitable giving tax deduction one year after seeing a significant decline in charitable gifts. Kentucky must protect the charitable giving tax incentive and work to encourage Kentuckians to support the nonprofit organizations who are moving this state forward despite a very difficult fiscal environment.

These two enclosures emphasize important facts:

- Kentucky's charitable nonprofit organizations are vital government partners in meeting the needs of the Commonwealth's citizens *every day*.
- Kentucky's nonprofit community includes organizations like rape crisis centers and domestic violence shelters, food pantries, mental health centers, after-school and job training programs, and more. These are charitable businesses providing essential services to our most vulnerable citizens in need – contracting with state and local government to provide services government would otherwise have to provide.

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- Kentucky's nonprofit community also includes organizations like churches and synagogues, museums, environmental groups, symphonies and theaters. These are charitable businesses that strengthen our communities, enhance our quality of life, and attract businesses and families to Kentucky.
- As partners in providing direct services to Kentuckians via government grants and contracts, budget cuts have stretched nonprofits beyond their capacity – just as demand for services has skyrocketed.
- According to the 2012 Nonprofit Finance Fund survey, 84% of Kentucky nonprofits surveyed experienced an increase in demand for services. 58% of those report they were unable to fully meet that demand.
- Charitable donations are a vital tool for nonprofit organizations to attempt to meet the growing demand for services by Kentucky's most vulnerable.

For the nonprofit community to continue to be a vital government partner, everything must be done to ensure that Kentucky's nonprofits retain the capacity to continue to fill the gaps and pick up the slack in our communities. It is essential that incentives to encourage charitable giving to the nonprofit community must be preserved. Policymakers should spare nonprofits from further cuts and ensure that the government pays nonprofits on time for services performed under contracts. Quite simply, our Commonwealth's nonprofit organizations cannot sustain further cuts. And anything that discourages Kentuckians from making charitable donations is nothing short of removing all of the tools from a nonprofit's toolbox for building better communities.

Kentucky's nonprofits exist to solve problems in our communities and we do so because we care about this Commonwealth and its people. Nonprofits are also businesses, and like any business, operating requires adequate resources – whether those funds come from providing services under government contracts, charitable contributions, earned income or a combination. We urge you to recognize the value of nonprofit organizations and ask that you work to protect our ability to work as your partner to strengthen Kentucky.

Please contact me if we can provide further information or assist in any way. Thank you for your consideration.