

## Additional oversight of charities is not the answer



Eliminating tax deductions for in-kind gifts might jeopardize donations, such as donated computers, to programs like WizKids, a reading enrichment program at the Youth & Family Center in St. Louis.



BY ANDREW SUTTON

In the shadow of recent legislation calling for increased transparency in corporate governance and financial dealings, the charitable sector is bracing for possible oversight changes of its own.

Most recently, the Senate Finance Committee has debated the topic of increased regulation of the charitable sector. The House Ways & Means Committee has toiled through similar discussions.

While merely in the early stages of development, these ideas, should they be formed into law, would harm charities and would fall short in addressing the issues Congress seeks to remedy. Senate Finance Committee Chair Sen. Chuck Grassley has indicated he aims for passage of these reforms by Memorial Day.

Of particular concern to the charitable sector are measures that alter the in-kind donation rules to reduce or eliminate a donor's tax deduction, impose a form 990 filing fee, restrict the size of nonprofit boards, and require charities to justify their tax exempt status every five years.

Many charities rely heavily on in-kind donations. As an example, The Youth & Family Center in St. Louis has operated in a challenged community north of the downtown area since 1888. Although the agency has a meager budget, it's been able to influence the lives of many residents through dynamic programming, thanks to the in-kind support of area corporations and individuals.

The Youth & Family Center offers a program that helps students improve their reading skills. With only three of 10 kids in the surrounding area reading and writing at their grade level, this program, called WizKids, is making tremendous progress in defeating illiteracy. Students

take part in reading and writing lessons both at the center and at home. Students are given a refurbished computer and access to the center's WiFi Internet access and complete a majority of their lessons at home, away from the ridicule and laughter of their peers. In its second year, WizKids is achieving outstanding results. Without a steady inflow of donated computers, The Youth & Family Center would never have the resources to offer such meaningful and successful programming.

Eliminating the tax deduction for in-kind gifts may spell the end for success stories like WizKids.

If charities are asked to shift funds from programs to administrative IRS fees, clients suffer.

Mandating the size and structure of nonprofit boards will decrease their effectiveness. Board members know the culture and needs of their organizations intimately and will steward them to continued success if allowed to govern them without the supervision of an uninformed bureaucracy, which has its best interests in mind, not those of the charity.

Being required to justify its tax status every five years not only is taxing on an agency's leadership, it pulls board members and executives away from their duties as advocates and diverts their attention from programming and leadership to red tape and time-consuming administrative tasks.

These measures miss the mark by placing the burden of proof on hard-working, worthwhile and community-sustaining charities. Congress will accomplish its objective of eliminating fraud by turning its spotlight on individual taxpayers. Increasing reporting requirements and driving up administrative costs of charities is not the answer. Doing so ties up human and financial resources, and diminishes a charity's ability to serve clients that desperately need them.

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## Imagine St. Louis



Political business

Dave Drebes

Though the speech was 2,029 words long, 24 of them received almost all of the oohing and ahing afterward. "In four years, Charlie (Dooley) and I may share fire engines, airports, a health district, a bond issue, a tax base, or — even — an office."

Mayor Slay's inaugural address put the "M" word back in the front of the minds of urban planners, academics and civic visionaries.

People noted how County Executive Dooley was prominently seated at the event, remembered how he had introduced the mayor at the campaign kickoff. Then the rumors came. One City Hall-er whispered that mayoral chief of staff Jeff Rainford would be vacating the position and assume a NSA-type title — something like "special assistant to the mayor for strategic decisions" that would focus on the details behind the new era of city-county consolidation.

Another said the speech was theatrics for the young governor. The city hopes that Jefferson City might be less bullying if they saw the cozier side of its relationship with the county. Instead of beating up on a city of 140,000 votes which mostly go Democratic, maybe he'd make nice to a region with 680,000 votes (25 percent of the statewide total) where Republicans could win large numbers and more if the governor's policies were compassionate.

For those who dream of merger, there is the small problem of reality. Though Mayor Slay claims a re-election mandate, his political muscle shows signs of weariness. The charter reform proposals he backed got smoked; his recent school board nominees were mostly beaten; he was steamrolled on the residency issue by the police board. And that "mandate," the 79 percent victory in the general election, was actually down from 88 percent four years ago. How the heck can a mayor land something like a city-county merger if he can't control a five-person police board?

He can't. But he doesn't have to.

While most think of a merger as an immense, bold and jarring event, this is St. Louis. The future will most likely be small, conservative and self-interested.

It will not be as city residents, with their historical self-important perspective, tend to envision — packing up the brown box in Clayton and moving operations downtown to a fittingly grand city hall. Nor will it be as county residents imagine — in

similar terms but with downtown's city hall cast as a haunted mansion of patronage and waste.

If a merger ever did happen, it would probably be mundane. St. Louis city would become the ninety-second municipality within St. Louis County. It would be a little awkward, dwarfing municipalities like Country Life Acres, population 81, and it would lack the audacity of Louisville's true city-county merger, but it would be a big step for the enlightened proponents of regionalism. There would be the elimination of some duplicate administrative services. The city could finally jettison its cockroach county offices. Most importantly, they could merge their economic teams and stop competing against one another for new business development.

Maybe our region will never get there, but Mayor Slay and County Executive Dooley will soon start the long journey with some modest steps. In the Mayor's State of the City speech he mentioned a few places to begin: health care, public safety and the airport. With any of these areas, there will be costs that can be more effectively shared — and revenues, too, be it through larger federal grants or dividing current income more equitably.

It is said that Slay and Dooley have forged a sincere friendship; however, merging these and other services will not be a lovefest. It will be because they both get something out of it. Self-interest will pave the road to reunification decades down the line.

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