

# Connections

## Smart Start Nonprofits in works for kids

Smart Start is off and running. Eighty-nine counties, some of them working jointly, submitted applications to the state by the Sept. 15 deadline to be one of 12 pilot projects to improve local services for young children and their families.

The winners — each of which will set up a nonprofit to run its local program — had not been selected when the *Philanthropy Journal* went to press, but were expected to be picked in late September.

Advocates for children have been enthusiastic about the possibility of creating public-private partnerships that will represent the broad interests of communities, raising the quality of day care and other services designed to prepare children to start kindergarten.

But the application process, which unfolded quickly after the state legislature last summer approved \$20 million for Smart Start, also has produced some controversy.

Controversy prompted New Hanover County to not even submit an application. And a Smart Start meeting in Wake County was abruptly adjourned by a county commissioner after a group of conservatives called for a vote to select members of Wake's Smart Start team.

Robin Britt, state human resources secretary and the official charged with selecting counties for the Smart Start pilot projects, says the process of developing Smart Start plans is designed to let people express their opinions. But the goal is to produce consensus in a local community about which particular combination of services will produce the best result.

"The goal here is that you do have a process where every voice is heard, where people's concerns are debated," Britt says. "But we do need a process that can move to consensus and can move to action, and that is going to require compromise and it's going to require collaboration."

Todd Cohen

## Good news, bad news

# Impact of tax law on nonprofits mixed

Under a new tax law, nonprofits must do more to document contributions. And people making gifts of appreciated property can take the same property deductions under the alternative minimum tax as they do under regular income taxes.

By TODD COHEN

The good news about the changes Congress made in the tax laws last summer is that donors have greater incentives to make charitable contributions. The bad news is that charities now face a lot more paperwork.

Two changes, both affecting any contributions made starting Jan. 1, 1994, require more record-keeping by charities.

The first record-keeping change bars a donor from claiming a deduction for a gift of \$250 or more without a written receipt from the charity that received the gift.

The rule applies to gifts of cash, property or both. The receipt should state the amount of cash received, a description of any property received, whether the charity provided any goods or services in return for the gift and, if so, their estimated value.

The second change requires that a charity give a written statement to a contributor who pays more than \$75,

partly as a contribution and partly for goods and services.

The statement should estimate the value of goods or services provided by the charity and should state that the contributor may deduct only the difference between the payment and the value of those goods or services. For example, if you pay \$100 for a ticket to a charity dinner and the actual value of the food and beverages is only \$25, you may deduct \$75, and the charity must explain that to you in writing.

Without such a statement, the contributor still may claim the deduction. But the charity faces a penalty of \$10 for every failure to provide a statement to the contributor. Penalties for a single event can't exceed \$5,000.

Nonprofit executives say the book-keeping rules will increase their cost of doing business.

"It's going to mean extra costs to our fundraising and what we're trying to do," says Jim Kelley, director of development for the Catholic Diocese

## TAXES

The alternative minimum tax changes are going to be helpful for people who wish to give property that has appreciated in their hands.

WALTER R. ROGERS JR.

Lawyer

Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan

of Charlotte and president of the Charlotte chapter of the National Society of Fund Raising Executives.

"We're going to have to spend some time and money to comply with the new laws."

Two other changes in the 1993 federal tax act could boost the incentives to make charitable donations.

The first change, involving the alternative minimum tax, applies to gifts of property such as art work, stocks and real estate. The alternative tax is a "shadow" tax designed to ensure that wealthy taxpayers who claim a lot of deductions known as "preference items" still

pay a minimum amount of taxes.

A taxpayer generally may deduct the fair market value of property donated to charity even if the property's value has risen above what the taxpayer initially paid for the property.

Previously, for purposes of the alternative minimum tax, a taxpayer making a gift of property could not deduct any increase in the value of the

property. Any increase — known as appreciation — was treated as a "preference item" and thus could trigger the alternative minimum tax.

The new law eliminates this item, allowing taxpayers to take the same property deductions under the alternative minimum tax as they do under regular income taxes.

The change is retroactive to gifts of tangible personal property such as art work made after June 30, 1992, and to other gifts such as stocks and real estate made after Dec. 31, 1992.

Some experts believe the changes will increase charitable giving.

"The alternative minimum tax changes are going to be helpful for people who wish to give property that has appreciated in their hands," says Raleigh lawyer Walter R. Rogers Jr. of the firm of Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan. "It will provide them with greater tax benefit and in some cases may make the difference between making the gift or not."

Still another change that could spur charitable giving is the increase in the highest rate at which individuals can be taxed to 39.6 percent from 31 percent.

"Generally," says Durham accountant Heather Smith Linton, president of Linton, DiGiano & Associates, "the higher the tax rate, the greater the incentive to give."

## Spreading the word

# Triangle foundation pitches for charitable giving

The Greater Triangle Community Foundation is embarking on a campaign to persuade lawyers, accountants, trust officers and other financial advisers to encourage their clients to contribute to charity.

By TODD COHEN

Shannon St. John is about to step up her missionary work.

As executive director of the Greater Triangle Community Foundation, St. John has worked to build philanthropy in the region. That effort has included trying to fos-

ter regional cooperation among organizations in Durham, Orange and Wake counties.

Now, with the help of \$105,000 from three other foundations, St. John is setting out on a long-term project to increase charitable giving in the region.

"The foundation's mission has been for a number of years to expand private philanthropy in the local community," she says.

"We recognize that the vast majority of the [700] nonprofit organizations in the Triangle are very small and would not have the opportunity to conduct this kind of outreach. And we feel that having a

responsibility really to all of the nonprofit organizations in the Triangle, this is one way beyond our grant-making that we can be of service to the entire nonprofit community in the three-county area."

St. John hopes in the next year to visit 35 organizations — law firms, accounting firms, trust departments, financial consultants — spreading the



Shannon St. John

word that professional advisers have "both an opportunity and an obligation to assist their clients in achieving their clients' philanthropic objectives."

Her goal, she says, is "simply to get advisers to raise the question of charitable giving in their ongoing interactions with clients, not to urge them to give, but simply to have charity or charitable objectives on their list of matters that they discuss with clients."

Measuring the success of the campaign will take years, she says, because planned giving typically

Look for TRIANGLE, page 22

## Networking

# Nonprofits talk by computer - naturally

Natural electronic networks are forming among nonprofits with common interests, and linking those whose similarities may not be so obvious.

By KAY MCFADDEN

As anyone who's worked at the grass-roots level knows, short budgets and long hours often don't allow for the socializing that can yield helpful exchanges of ideas and information. And, pragmatic reasons aside, talking to folks in other groups can be a big morale-booster for slender organizations.

That's why one of the greatest advantages computers offer to nonprofits is networking — sending and sharing thoughts and useful intelligence through electronic mail. Using a network multiplies a nonprofit's

resources and helps dispel that feeling of being small and alone.

Timewise, a network is thrifty. You type out a message at the computer, send it to a general or individual mailbox, and go on to other tasks while your mailbox stores up replies. The finances are right, too: Networks for nonprofits don't charge expensive access fees that can run into thousands of dollars per year.

In North Carolina, the best of all worlds is contained in NC Exchange, which provides hookup to HandsNet, a national network for nonprofits based in Cupertino, Calif. According to Terry Grunwald, project director of NC Exchange, users pay about \$400 to \$600 a year, depending on the amount of use.

HandsNet is what's known as a host network, meaning it brings users through the door and into an

## TECHNOLOGY

electronic gathering where they can choose which group

they'd like to join on any given occasion. The groups within the gathering are natural networks — so called because they're a natural result of user interests.

And that's the beauty of what's happened at NC Exchange's HandsNet operation. Originally set up to connect North Carolina nonprofits to the rest of the country, HandsNet has given birth to a bunch of natural networks servicing in-state interests and needs.

"We've gotten so many occasions where a group rushed to HandsNet, put out their request and got help," says Grunwald. "The really interesting thing is how often aid comes from the most unexpected places."

Here's just one great example of how the network works. Last month,

Farmworkers Legal Assistance in Newton Grove in Eastern North Carolina posted an SOS to the Farmworker Issues group on NC Exchange/ HandsNet: The group desperately needed a bilingual receptionist and wasn't sure where to find one, or how to pay for one.

Enter Jim Powell of Prospect Hill Community Health Center in Caswell County who'd read the message. He informed the group about a federally-funded summer youth program at a local high school. Through this program, the Health Center had hired a bilingual high school student, a daughter of Mexican migrant farmworkers.

The end result of this exchange? By using the same summer jobs program at a high school in their area, Farmworkers Legal Services found their staffer, a young woman born in

Look for TECHNOLOGY, page 24

## Philanthropy Journal of North Carolina

A PUBLICATION OF  
The News and Observer  
Foundation  
215 S. McDowell St.  
Raleigh, NC 27601  
(919) 829-8988

VOL. 1 No. 2

### SUBSCRIPTION PRICES

1 year	\$57
2 years	\$104
3 years	\$143

Multiple-copy discounts available. Call (919) 829-8991 for rates.

### DIDN'T RECEIVE YOUR NEWSPAPER?

If you happen to miss your newspaper, call (919) 829-8991.