

Be It Resolved

by Kenneth F. Lewis

The Directors of Volunteer Services (DOVS) of Palm Beach County, Florida, have proposed a change in the U.S. Tax Code that will, if enacted by Congress, provide for a tax credit for a broad array of volunteer services. To get the proverbial 'ball' rolling we held a meeting with Representative Daniel A. Mica (D-Fla.) on August 17, 1979, to present him with a resolution, and supporting rationale.

Congressman Mica was quite impressed with our presentation, both because of its purpose and because, as he put it, rarely has he received such a "succinct" proposal from a constituent group. He commented that if associations such as ours throughout the U.S. were to hold similar meetings with their representatives and senators, the recommended tax credit would receive greater attention. We couldn't agree more!

The DOVS recognizes that there have been numerous tax benefit plans introduced in both the House and Senate. We believe that what we are proposing is the most equitable and all-inclusive offering to date.

WHY A CREDIT?

The resolution proposes a credit, rather than a deduction, for one primary reason. Ostensibly, a tax credit could benefit a larger number of people. The itemizing of deductions is a laborious process that people in higher income brackets tend to use more often than those in the lower income strata. Many

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people simply don't have enough allowable deductions to claim anything but the standard deduction. A credit would allow more people to take advantage of this new form of charitable contribution. (In order to simplify matters, the IRS could possibly even add this type of credit claim to the Standard Form 1040 so as to speed the filing of returns.)

ON THE NEGATIVE SIDE

The spirit of volunteerism would be undermined, if a tax credit for voluntary service were to be instituted. Also, such a credit would open the door for governmental intrusions, leading to overbearing regulatory practices. Some agencies and organizations would be excluded from the benefits of such tax credit legislation, which would then lead to a siphoning off of volunteers by agencies whose volunteers do qualify.

ON THE POSITIVE SIDE

With respect to a tax credit being contrary to the spirit of volunteerism, it should be remembered that the credit, as proposed, would likely serve only as a means to equate the work done by volunteers with other charitable contributions. The real value of the work and the accrued personal satisfaction would hardly be compensated for, or directly affected by, such a credit. In regard to governmental encroachment, it is hoped that regulations will be kept to a minimum. The spectre of a maze of regulations is not at all comforting.

However, there doesn't seem to be any prima facie justification for instituting new

regulatory practices in order to implement the proposed credit. For an agency or organization to have its volunteers qualify for the credit it could simply institute a procedure, which many already use, for a daily logging of each volunteer's hours of service. The log would then be signed daily by the director of volunteer services or the executive of the agency or organization. The volunteer would also sign the log, and could, in addition to the hours worked, enter a summary of the work done that day. The IRS could develop a simple form that the appropriate agency representative could complete, which would verify the total hours of service the volunteer performed, with a copy going to the volunteer, to be filed with their annual income tax report. Present Internal Revenue Service practices would probably suffice to provide necessary checks.

In addition, providing tax benefits for volunteers would: (1) augment volunteer recognition; (2) bolster the ranks of volunteers, both in number and in commitment; and, (3) tend to decrease the disparity between the charitable contributions of the rich and those less affluent.

Unquestionably, if the federal government were to pass legislation which allowed tax benefits for volunteer service it would be a signal to volunteers everywhere that, instead of empty rhetorical propaganda about the merits of citizen participation, the government would have finally recognized that such voluntary action is, indeed, a valued national resource. Realizing that the performance of volunteer service could be credited as a charitable contribution, a whole new segment of the population might consider such community involvement; and volunteers who are already working would have a greater incentive to stay with their chosen agency or organization. In addition, less affluent people, who heretofore found it difficult to contribute money to charitable organizations, could readily equate their time, talent and intellect in terms of dollars and cents, in much the same way as the wealthy are allowed to deduct their charitable contributions for tax purposes.

ORGANIZATIONAL ELIGIBILITY

Any service-oriented, not-for-profit, tax-exempt agency or organization should automatically qualify, so that its volunteers could claim the tax credit. It is not only necessary, but often desirable for non-governmental

agencies and organizations to provide services that may or may not already be provided through government operated programs. This diversity of services is a mainstay of the American way of life. To exclude certain types of service organizations would be to hasten the demise of many worthwhile and much needed community-based programs.

Without a doubt there will have to be exceptions for certain profit-making concerns. (However, exceptions such as the following, should be specified in the legislation so as to avoid the need for a certification process. Self-serving enterprises should be excluded, but the "service-oriented" criterion should suffice to limit those agencies and organizations that may qualify.) One example would be a private, money-making hospital, particularly one located in a small town or city. Often such businesses would not even have been established, unless they were able to earn a return on the money invested. Many small communities would be without adequate medical care facilities were it not for these businesses. The volunteers who work in them could care less about the hospital's financial structure. Their work is performed for personal or altruistic motives that go well beyond any profit motive. Yet, they, just like any other volunteer, are making a charitable contribution.

RESTRICTING ACTIVITIES?

As long as the agency or organization has qualified as an eligible entity, there should be no restrictions with respect to allowable volunteer activities, provided no other federal regulations are violated. An advisory board member's time is just as important as a volunteer who engages in direct service. An office helper is no less valuable to a health care facility than is a physician who contributes a few hours per week of his/her time. Fundraising, and other indirect activities, are of vital importance to many agencies and organizations and, therefore, should be allowable. Even lobbying should be permitted, so long as the agency's or organization's status as a not-for-profit, tax-exempt entity isn't affected.

WHAT IS A VOLUNTEER'S TIME WORTH?

The tax credit, as purposed, should not be equated with payment for service rendered. Obviously, a psychiatrist who contributes time to a mental health clinic would normally be

worth more in economic terms, than an envelope-stuffer in a fundraising campaign. However, that clinic might not be able to use the services of that psychiatrist if there weren't enough people stuffing envelopes, which allows it to raise enough funds to open the doors. A credit, as used here, is not payment for a particular service, it is simply a convenient way of providing more people with a means of taking a tax credit for a charitable contribution, using a base formula, without having to itemize deductions, when reporting their income.

Therefore, it is proposed that the hourly minimum wage be used as the multiplier for computing the credit. Without becoming extremely cumbersome, there would appear to be no more acceptable and equitable basis for calculating the credit.

The two thousand five hundred dollar (\$2,500.00) maximum credit would be claimed by only a relatively few volunteers. The average volunteer probably only works four to six hours per week. At the present minimum wage that would mean an average credit of between six hundred forty (\$640.00) and nine hundred sixty (\$960.00) dollars.

MINIMUM NUMBER OF HOURS TO QUALIFY

If they so choose, anyone who provides voluntary assistance to a qualified agency or organization, no matter how few hours, should be allowed to apply for the credit. There are many volunteers who give just a few hours of valuable service each month. Discriminating against such individuals, by excluding them from eligibility, could result in a loss to some volunteer-dependent programs. Such a requirement might even lead to agencies reporting more hours for a volunteer just to maintain existing contributions of time. However, it is more likely that a person who does volunteer work for only a limited number of hours will not even bother claiming the credit.

RECORD KEEPING

As mentioned earlier, minor adjustments in the record keeping practices of most agencies and organizations would suffice for accurate reporting of volunteer service hours. Also mentioned previously was the possibility of having the Internal Revenue Service develop a form to satisfy its requirements. Something akin to a W-2 Form would be quite sufficient.

RESOLUTION

Whereas, we, the Directors of Volunteer Services of Palm Beach County, Florida, are engaged in the coordination and management of an indispensable, invaluable community resources; to wit, a large segment of the local gratuitous, voluntary workforce; we have, as a by-product of the inflationary spiral of recent years, become increasingly concerned apropos of the dearth of legislative action on the federal, state and local level, directed at providing incentives, and supports, both financial and otherwise, which would foster a greater commitment, by individual citizens, toward voluntary contributions of their time, talent and intellect for the betterment of their community and the advancement of our democratic system of government, a system of, for and by the people.

We therefore, do hereby, resolve to communicate to our elected representative, the Honorable Daniel A. Mica, M.C., the following:

Be it known that we, the Directors of Volunteer Services of Palm Beach County, Florida, do emphatically support and duly recommend that the Congress of the United States of America enact legislation providing for:

A tax credit, for all volunteers who provide any service to a service-oriented, not-for-profit, tax-exempt agency or organization, of up to two thousand five hundred dollars (\$2,500.00) per annum, for duly recorded, authorized hours of service, to be calculated at the hourly minimum wage, as set by the United States Department of Labor.