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Nonprofits Request \$150 Million State Investment and Charitable Giving Tax Incentive to Ensure Community Sustainability and Recovery

State's Third-Largest Private Sector Employer Seeks General Assembly Investment to Continue Effectively Meeting Community Needs

(LEXINGTON, Ky.—) Kentucky Nonprofit Network (KNN), the state association of nonprofits, convened a virtual town hall meeting today to outline the sector's request of investments from the Kentucky General Assembly to ensure the sustainability and recovery of nonprofits and the Kentuckians and communities they serve. The request includes the establishment of a [\\$150 million Nonprofit Sustainability and Recovery Fund](#), a state [charitable giving tax deduction available to tax payers who do not itemize their deductions](#), and funding and changes to state contracts to specifically address the [workforce crisis](#) facing nonprofit health and human services organizations partnering with state government.

[A recent survey of KNN members](#) confirmed that workforce shortages, increased demand for services, decreased revenue, increased costs, and challenges accessing federal relief are impacting nonprofits' ability to serve Kentuckians. Danielle Clore, CEO of KNN, and other nonprofit leaders made the case for the General Assembly's investment. "This proposal invests in jobs; strengthens Kentucky communities and quality of life, including ensuring services for the most vulnerable Kentuckians; and supports more Kentuckians returning to work," Clore said.

If funded, the \$150 million Sustainability and Recovery Fund would provide eligible Kentucky nonprofits meeting American Rescue Plan Act criteria with grant opportunities ranging from \$25,000 to \$750,000.

The proposed changes to the state charitable giving tax deduction would provide an "above-the-line" deduction or tax credit for all taxpayers, not just those who itemize their deductions. Recent data on the negative impact of the 2017 Tax Cuts and Jobs Act was cited as a key reason for the request, highlighting that while doubling the federal standard deduction may have been good for simplifying annual tax filings, the negative impact on charitable giving has hit Kentucky nonprofits particularly hard. Kentuckians donated \$1.3 billion to charity in 2019, a 44 percent decrease from 2017 – the third greatest decline in the nation – and a 75 percent drop in the number of reporting donors – behind only West Virginia as the second largest drop in the nation.

Research indicates that charitable giving tax incentives encourage more and larger gifts. In fact, the extra federal tax incentives for less wealthy households during pandemic relief worked – small donations of up to \$250

increased more than 15%, outpacing growth of larger donations. And donations totaling \$300 (the exact amount of the federal above-the-line deduction allowed for 2020) shot up by 28%.

Clore emphasized that Kentucky has a strong culture of giving with 84 percent of Kentuckians who do itemize claiming a charitable giving tax deduction. “Kentucky has the opportunity to make this deduction accessible for all taxpayers – allowing every taxpayer, regardless of whether or not they itemize, to receive tax incentives to invest in the work of charitable nonprofits,” she said.

Nonprofit leaders representing the Boys and Girls Club of Franklin-Simpson in Scottsville, statewide Kentuckians for the Arts, Redwood in Fort Mitchell, and Family and Children’s Place in Louisville emphasized the importance of the opportunity. “Without significant recovery funds, the nonprofit arts and creative industry will take years to recover and once again become self-sustaining. This investment will help put artists back to work and provide enrichment that ensures vibrant communities for Kentuckians and visitors,” said Lori Meadows, chair of Kentuckians for the Arts. Pam Darnall, President and CEO of Family and Children’s Place added: “Kentucky has a once in a lifetime opportunity to invest in its people by investing in the nonprofit sector. This investment, or lack thereof, will shape the future health and safety of our state.”

KNN’s updated [More Than Charity report](#) highlights the nonprofit sector’s economic importance as the third largest private sector employer in the Commonwealth behind manufacturing and retail trade, with one in ten private sector jobs at a nonprofit organization. Charitable nonprofits generate \$8.5 billion in annual wages and pump \$26 billion in annual expenditures back into Kentucky’s economy.

“Nonprofits are essential to Kentucky’s quality of life and economy – they always have been. And now, nonprofits are essential to Kentucky’s recovery from the pandemic,” said Clore. “Simply put, there is no recovery without nonprofits. Kentuckians cannot return to work without the services of nonprofits. Kentucky communities cannot thrive without their nonprofit partners. Nonprofits require this bridge to sustainability to ensure Kentucky remains the kind of place where people want to work and live,” she added.

The Kentucky Center for Statistics was KNN's data partner in compiling the More Than Charity report, utilizing state and national data sources. The report was funded with support from Aetna and AT&T.

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About the Kentucky Nonprofit Network: KNN is the state association of nonprofits, existing to strengthen and advance Kentucky’s nonprofit community. Celebrating 20 years of service to the sector and over 820 members strong, KNN provides nonprofit organizations with a unified public policy voice, professional development opportunities and resources, and member benefits. For more information, visit <http://www.kynonprofits.org>.