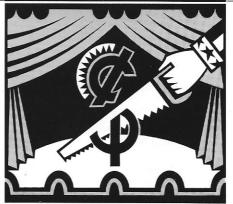
first \$300 in charitable contributions: once fully implemented, the law will allow deduction of 100 percent of all contributions. The importance of this tax incentive to nonprofit organizations was a key argument in beating back efforts to limit or repeal the Charitable Contributions Law during the last session of Congress. However, like the Postal Revenue Foregone Subsidy, the Charitable Contributions Law is considered a vulnerable target as the Congress considers ways to increase federal revenues

In a related matter, legislation was introduced during 1983 which would exempt from taxation nonprofit revenues derived from the sale, rental or exchange of mailing lists. The Internal Revenue Service had issued a "letter ruling" which identified such revenues as "unrelated" business income, subject to taxation. While a letter ruling does not have the force of law, it has raised serious questions about the future policy of the IRS in this area. Hearings on this subject were held by the Senate Finance Taxation and Debt Management Subcommittee in 1983; however, legislation which would exempt nonprofits from such taxation is still awaiting

congressional action.

Other legislation pending before the Congress includes House and Senate bills introduced in 1983 which would make changes in the 1969 Tax Reform Act to allow gifts to private foundations to be treated in the same manner as gifts to other charities. Current law allows greater deductions for gifts of cash and appreciated property to public charities than to foundations. The new legislation would also ease the administrative burden faced by foundations which are required to conduct extensive pre-grant investigations of potential recipients. Other features of the legislation would allow for extensions of the present five-year divestiture rule and would reduce foundation excise taxes to one percent under certain conditions. The House Ways and Means Committee held hearings on the bill during 1983, and although the matter has yet to be settled, passage could substantially improve foundation portfolios and increase funds available for foundation grantmaking.

The National Heritage Resource Act, introduced during the first session of the Congress, would allow art-



ists to claim the fair market value of donations they make to charitable institutions such as museums and libraries. Under current law, an artist can deduct only the nominal costs of materials used in the creation of a work of art. Since the adoption of the current law-as part of the Tax Reform Act of 1969-such charitable donations by artists have dropped dramatically. A major stumbling block to the passage of this bill appears to be the powerful chairman of the House Ways and Means Committee, Rep. Dan Rostenkowski (D-IL), who must consent to hold hearings on the subject. Until such hearings are scheduled, further action on the bill is stalemated.

Other tax-related legislation expected in the coming months includes a measure to limit the growing use of "sale/leaseback" arrangements as tax breaks. Under the provisions of the Economic Recovery Tax Act of 1981, private investors who rent to tax-exempt organizations may claim an accelerated depreciation on their investment. Real estate owners can reduce their taxes considerably through this means, which concurrently represents a loss in federal revenues. Pending legislation would curtail such practices sharply.

Media-related legislation includes appropriation figures for the Corporation for Public Broadcasting. The Administration's 1985 budget includes a recission of \$30 million for the FY'86 budget, of the CPB, an agency which is funded two years in advance. Congress appropriated \$130 million for the CPB in 1986, but the President's budget reduces that figure to \$100 million. In late 1983, the President signed a bill which authorized \$162 million for the CPB in 1986; the new recission will likely be a subject of considerable debate.

Possible copyright infringements and the potential for huge royalties involved with the home taping of films and musical recordings launched a legislative debate during 1983 which pitted hardware manufacturers

-Sony, Betamax and others for the "consumer"—against the motion picture and recording industries which represent artists. Bills relating to such royalty payments did not move beyond the hearings stage, as the legislative branch waited for the judiciary to decide the question. The Supreme Court has since ruled that such home taping is legal, as long as it remains private. While no legislation is expected to pass this year, film and music interests are expected to continue to press the case for copyright

and royalty guarantees.

Other arts-related issues include proposed revisions in the Office of Management and Budget's Circular A-122 made late in 1983 which would have placed strict curbs on the advocacy efforts of all nonprofit organizations. Following a public outcry, the OMB withdrew its proposed changes in "Cost Accounting Principles for Nonprofit Organizations" and issued a revised version early in 1984. Following the second version, both the American Civil Liberties Union and the Congressional Research Service raised a number of questions which cast doubt on the OMB's authority to "legislate" without the consent of Congress. If corrective action is not taken by the OMB itself, the Congress may act on pending legislation which would limit the OMB's authority in this

Another arbitrary ruling—by the General Services Administration – which prohibits government agencies from paying compensation to members of federal advisory panels, such as the NEA's Theatre Panel, may also be the subject of legislative action in the coming months. Since Arts Endowment panel members are often freelance individual artists with limited financial resources, they have historically received compensation for their services to the NEA; the new prohibitions on panel compensation are generally believed to be potentially damaging to the peer review concept. Legislation to allow such payment—overturning the GSA ruling—has yet to be introduced.

The appropriations legislation necessary to complete the federal budget process by Oct. 1 may fill the congressional plate between now and November, in which case all other legislation could well be delayed until the first session of the 99th Congress convenes in January 1985.