Australian Community Philanthropy | Building community foundations across Australia

philanthropy australia

Cutting Red Tape for Australian Community Foundations

What are Community Foundations?

Community foundations are **community-owned, not-for-profit, charitable organisations which exist for public benefit in a specific, named geographic area**. Their shared purpose is to attract resources to support and revitalise local communities and build social capital. They make philanthropic grants, and often seek to build a perpetual financial asset for their community.

They are managed by voluntary boards, or have input from advisory committees from the local area. Many community foundations also employ a small number of staff, often only 1 or 2 paid employees supported by volunteers. They have multiple sources of funding from a range of donors and supporters.

Why are Community Foundations Important?

Community foundations are a **valuable and unique form of community infrastructure**, which seek to empower communities to address local challenges themselves. They operate at the grassroots to understand community needs at the coal face, and apply their expertise and experience to make better grants. They act as a leader, connecter, convenor and funder within communities and encourage civic engagement, volunteering and philanthropy.

> **Case Study** – the Give Where You Live Foundation's GROW initiative (Geelong, Victoria)
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> GROW aims to address joblessness in identified disadvantaged locations in the Geelong region. GROW uses an innovative Collective Impact framework to guide many stakeholders' efforts working together to create new 'jobs' and investment opportunities to tackle the known correlation between unemployment and disadvantage.

What is Holding Back Community Foundations?

Currently, **our tax laws make life very hard for community foundations** and this is holding back their growth and their impact. This means that community foundations cannot make the fullest possible contribution to their communities.

Community foundations generally operate a 'public ancillary fund' (an 'Item 2' deductible gift recipient) – this imposes considerable restrictions on their operations:

- They **cannot accept donations from one of the most common forms of private foundation,** 'private ancillary funds', as private ancillary funds are also an 'Item 2' deductible gift recipient – this cuts them off from a significant source of philanthropic funding.

> **Case Study** – the Fremantle Foundation (Fremantle, Western Australia)
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> The Scanlon Foundation, a Melbourne based private ancillary fund, wished to support social inclusion initiatives in Western Australia. They were interested in contributing to the Fremantle Foundation, which in turn would distribute the funds towards social inclusion initiatives in the local area more effectively by using its knowledge and understanding of community needs. As a private ancillary fund, the Scanlon Foundation was unable to distribute to the Fremantle Foundation.

- They **can only make grants to 'Item 1' deductible gift recipients** (sometimes referred to as 'doing charities'), however in regional and rural areas there sometimes aren't enough suitable 'Item 1' deductible gift recipients to grant to, making it very difficult for community foundations to fulfil their mission and make a difference.

> **Case Study** – the Stand Like Stone Foundation (Mt Gambier, South Australia)
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> To support a mental health and wellbeing program for young people on the Limestone Coast, the Stand Like Stone Foundation had to undertake a lengthy process through an intermediary to distribute funds, using up valuable time and money in the process.

How Can We Support Community Foundations and the Communities They Serve?

Australian Community Philanthropy and Philanthropy Australia believe **that a simple amendment to the tax laws is needed** to reduce red tape for community foundations, and enable them to focus on making a difference in their communities.

This amendment would create a new deductible gift recipient category within the Income Tax Assessment Act 1997 (Cth) specifically for community foundations.

It is expected that any impact upon the revenue from such a change would be very minimal.

We currently have 40 communities foundations in Australia – but in countries such Canada and the United States, where community foundations are actively supported and have more suitable treatment under the tax laws, there are many more community foundations right across both countries. They are making a big difference in communities, something which could be replicated in Australia.

Alignment with the Australian Government's Objectives

Australian Community Philanthropy and Philanthropy Australia recognise that the Australian Government is frequently lobbied about changing the tax laws. However we believe that what we propose above is a relatively simple and inexpensive change which **aligns with the Australian Government's objective to encourage and grow philanthropy**.

This objective is reflected through the establishment of the Prime Minister's Community Business Partnership, whose Deputy Chair is Minister Porter.

One of the roles of the Partnership, as reflected in its terms of reference is 'eliminating institutional barriers to philanthropic giving, including through red tape reduction'. Creating a new deductible gift recipient category for community foundations would address the institutional barriers to philanthropic giving and red tape which they currently confront, and would therefore represent **a positive outcome which is consistent with the Partnership's mandate**.

Furthermore, community foundations are located in a diverse range of communities right across Australia, with many of them having positive relationships with their local Members of Parliament. Creating a new deductible gift recipient category for community foundations would therefore **represent a 'good news story' which Members of Parliament can promote within their community**.

Next Steps

Australian Community Philanthropy and Philanthropy Australia would strongly welcome **a commitment from the Australian Government** regarding the creation of a new deductible gift recipient category for community foundations.

We appreciate that some further consideration and assessment would be necessary, such as seeking advice from The Treasury, including in relation to the cost of such a proposal. We would be **most willing to assist with this process**.

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30 November 2016