

July 21, 2020

The Honorable Steven Mnuchin, Secretary
United States Department of the Treasury
Washington, D.C. 20220

The Honorable Nancy Pelosi, Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell, Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer, Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy, Leader
United States House of Representatives
Washington, D.C. 20515

RE: Fully Support Nonprofit Associations in the Next COVID-19 Relief Measure

Dear Secretary Mnuchin, Speaker Pelosi, Leader McConnell, Leader Schumer and Leader McCarthy:

The nonprofit association community is extremely grateful for your passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act (P.L. 116-136) and other relief legislation, which helped preserve the safety and welfare of millions of Americans. The Paycheck Protection Program (PPP) in particular, while imperfect, has proven essential to save jobs, businesses and nonprofits across the country. Nonprofit associations, however, were excluded from eligibility under the PPP, even as an initial draft of the CARES Act made such entities eligible. As the center for association leadership, the American Society of Association Executives (ASAE) and its membership of more than 48,000 organizations and professionals urge you to fully support the nonprofit association community. As negotiations for the next phase of COVID-19 relief soon begin in earnest, ASAE specifically requests Congress to **expand eligibility under the PPP to include 501(c)(6) nonprofit associations** before many are forced to cease operations.

Since early March, ASAE and its members have consistently addressed Congress regarding PPP eligibility expansion to include 501(c)(6) organizations. Officially, this is ASAE's sixth communication to Congress that calls for nonprofit association support. This policy proposal holds broad appeal, as ASAE also led two community sign-on letters – with 6,500 signatories – to expand the PPP and its members sent 5,000+ similar appeals to legislators since CARES Act passed. And, to make things worse for our community, the Federal Reserve announce on July 17, 2020 that it would not lend to entities designated as 501(c)(6) organizations through its Main Street Lending Program – vaunted for its potential to help correct the economy.

As the economic and safety impact of COVID-19 has evolved, this letter reflects our current thinking on how to best sustain our community and save imperiled nonprofit associations.

The nonprofit association sector, which is a fundamental underpinning of American economy and society, has been devastated by sharp membership declines and event cancellations, among other issues.

According to an ASAE Research Foundation survey of nonprofit association executives, roughly **five percent of respondents possess insufficient reserve funds to cover estimated financial loss** due to COVID-19, while 72 percent report they will use up to half of reserves.¹ Eighty percent of respondents face up to 49 percent in estimated revenue loss – while eight percent estimate a revenue loss of half or more – just to event cancellations.

There are roughly 63,000 nonprofit associations² in the U.S. that provided approximately \$18.3 billion in wages and salaries³ in 2019. Collectively, California, Kentucky and New York are home to more than 9,600 501(c)(6) organizations with a total of more than \$6 billion in revenue that supported nearly 30,000 high-paying jobs. Of these organizations, nearly half have annual budgets of \$500,000 or less, 636 have budgets of \$500,000-\$1,000,000 and 905 have budgets of \$1,000,000 or more.⁴ Unless Congress acts now to support these vitally important organizations, jobs will be lost and industries will suffer, worsening the drag effect on the national economic recovery.

Nonprofit trade and professional associations continue to suffer immense harm from this crisis and have thus far been locked out of Congress' main rescue program. Expanding PPP eligibility for 501(c)(6) organizations is essential to uphold nonprofits associations' vital contribution to American economy and society.

As you craft legislation to support communities and our nation more generally, ASAE also supports the following for your consideration:

- 1. Expand employer assistance policies** – ASAE supports broadening current pandemic-response policies that were designed to keep employers operating. Specifically, we understand Congress is considering proposals to expand and reinforce the Economic Injury Disaster Loan program, allow SBA to automatically forgive PPP loans of \$150,000 or less, extend the PPP until the end of the year and afford small businesses and nonprofits alike additional long-term working capital loans or subsidies based on need.
- 2. Ensure a safe return to work** – ASAE supports strengthening and expanding certain provisions included in the CARES Act, as well as new policies, that support a safe return to work for all employees. For instance, Congress should approve proposals to expand the Employee Retention Tax Credit and create a new tax credit for all employers to use to offset the purchases of Personal Protective Equipment, enhanced cleaning regimes and physical upgrades to office space that promote health and safety.
- 3. Support families and workers** – ASAE supports robust assistance for families and workers as we return to work and school. Congress should ensure that state and local governments and educators have the resources they need to maintain a safe learning environment and remote access to instruction. Further, Congress should provide financial and technical assistance to childcare providers and their employees to aid parents in their return to work. Finally, Congress should also fully support the unemployment insurance system and provide additional resources for job training and re-skilling activities to ensure no one is left behind during the recovery.

¹ ASAE Research Foundation Association Impact Snapshot for June 5, 2020.

² IRS Data Book 2019. North American Industry Classification System (NAICS). U.S. Census Bureau.

³ Bureau of Labor Statistics. 2018 Annual Averages. Quarterly Census of Employment and Wages (QCEW).

⁴ IRS Data Book 2019. North American Industry Classification System (NAICS). U.S. Census Bureau.

Looking forward, ASAE supports policies that ensure a **broad-based economic recovery**, including tax credits for businesses and employees to participate in live events when safe to do so, such as conventions, trade shows and conferences; tax credits for qualified expenses connected to business travel; and re-installment of the business entertainment tax deduction. These industries and programs drive more than \$330 billion annually in economic activity in the U.S.⁵

After the CARES Act became law, an alarming and unfair perception developed that nonprofit associations are less deserving than other organizations because the association community, as many wrongfully believe, exists primarily to influence public policy. Not only is this perception inaccurate, it also overshadows the fundamental purpose of our community, which is to educate, support and develop workers, professions and industries that span the economy.

To address misconceptions about our community's role in the economy and society at large, ASAE authored the enclosed document, *The Essential Pillars and Purpose of American Associations*. The document outlines four fundamental, incontrovertible truths about the nonprofit association community:

- 1. Associations began prior to our nation's inception and remain a foundational instrument of American economy, society and democracy.**
- 2. Associations contribute in direct and significant ways to U.S. economic stability and societal advancement.**
- 3. Associations engage in a wide variety of activities that benefit industries, professions and workers through far-reaching career and economic development programs.**
- 4. Associations, alongside any American individual, organization or business, reserve their Constitutional right to lobby the government as provided for by the First Amendment in the *Bill of Rights*.**

Nonprofit associations, as pillars of American economy and society, need your full support.

Thank you for your respectful consideration and continued support of our country during this challenging time. If you have questions regarding this urgent request on behalf of the nonprofit association community, please contact Mary Kate Cunningham, CAE, vice president of public policy for ASAE, at mcunningham@asaecenter.org or 202-626-2787.

Sincerely,



Susan Robertson, CAE
President and CEO
American Society of Association Executives

ENCLOSURE: *The Essential Pillars and Purpose of American Associations* (July 2020)

⁵ Events Industry Council. Global Economic Significance of Business Events. November 2018.

The Essential Pillars and Purpose of American Associations

Due to the COVID-19 pandemic and closures, nearly every sector of the American economy has struggled to meet basic expenses such as payroll and rent, necessitating unprecedented legislative relief measures from the U.S. Congress. To date, however, and despite their critical importance to the industries and professions that drive economic growth, nonprofit associations remain one of the few sectors of the economy left without a financial safety net during this crisis. ***This document is intended to correct misconceptions about nonprofit associations and their purpose and function in the economy and society at large.***



Pillar 1

Associations began prior to our nation's inception and remain a foundational instrument of American economy, society and democracy.

Although associations are formed for a wide range of purposes, the Internal Revenue Service (IRS) – the federal agency tasked with oversight and enforcement of the tax-exempt sector – broadly defines associations as “a group of persons banded together for a specific purpose.” People and companies voluntarily join associations because they want to ***work together toward a common cause.***

The first American settlers formed “guilds,” patterned after British traditions, to address common challenges and support each other’s work and lifestyle. ***The first American trade association, the Philadelphia House Carpenters, was formed in 1724.*** America’s first scientific society, the American Philosophical Society, was founded by Benjamin Franklin in 1743, and is still in existence today. ***Associations’ activities have shaped and advanced America since its birth*** and have historically set America apart from many other nations (although associations or “non-governmental organizations” are now growing internationally as well). By 1835, when noted French political thinker and historian Alexis de Tocqueville published *Democracy in America*, associations had become prevalent and effective contributors to the so-called *American way*. “Americans of all ages, all conditions, and all dispositions constantly form associations,” de Tocqueville wrote. “Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.”

Congress first gave associations favored tax treatment largely ***in recognition of their public benefits.*** In simple terms, associations earn their tax-exempt status by satisfying many of the needs of various industries, professions and the general public that otherwise would fall to the government.



Pillar 2

Associations contribute in direct and significant ways to U.S. economic stability and societal advancement.

Labor statistics demonstrate that associations are strong employers who pay above average wages and help facilitate the continuing education of the American workforce. In 2019 there were ***62,700 trade and professional associations*** on record with the IRS. According to IRS 990 filings, these associations have a total revenue of ***\$53 billion.***¹ According to Bureau of Labor Statistics data, these associations employ more than 205,000 people nationwide.²

Despite their tax-exempt status, associations are by no means exempt from all taxes and, in fact, **contribute substantially to national, state and local revenue** across the country. Among the taxes associations pay are federal payroll taxes (Social Security, Medicare, and unemployment), state and local unemployment taxes, real estate taxes, personal property taxes, sales and use taxes, franchise taxes, taxes on lobbying activities and taxes on unrelated business income (UBIT).

Associations also drive the meetings and conventions sector, which generates **\$330 billion annually** in the U.S., according to the Events Industry Council's Meetings Significance Study of 2018. Globally, business meetings and events involve more than 1.5 billion participants across more than 180 countries, generate more than \$1 trillion in direct spending and support 10.3 million jobs.³



Pillar 3

Associations engage in a wide variety of activities that benefit industries, professions and workers through far-reaching career and economic development programs.

Associations benefit industries, professions, workers and consumers in many ways:

- Associations are the **primary source of post-college education and skills training** for America's workforce. Fifty-seven million adults in America take formal work-related courses or training each year, and more than 69 percent of those individuals receive those training courses from either a private business or a professional association.⁴
- Associations **create product service standards** for everything from children's toys to building construction. From the mattresses we sleep on to the food that we put on our dinner tables, standard setting in the U.S. has historically been a process driven by the private sector, with the government in a supporting and guiding role.
- Associations also define and advance standards for professional certification, performance and ethical practices in a wide variety of fields, **ensuring consumers have confidence in the experts they consult** for their health, financial wellness, legal needs and other vital concerns.
- **Associations also foster volunteerism**, sponsoring community programs and lending assistance in moments of great need such as after natural disasters or during the current pandemic.



Pillar 4

Associations, alongside any American individual, organization or business, reserve their Constitutional right to lobby the government as provided for by the First Amendment in the Bill of Rights.

The **First Amendment to the U.S. Constitution** guarantees basic freedoms and states that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to **petition the Government for a redress of grievances.**"

Associations stand alongside all Americans in their Constitutional right to lobby as an essential function of American democracy. All voices should have opportunities to be heard in the political process. Associations help ensure their industry or profession carries a collective voice and that lawmakers fully understand the issues and communities they govern. Associations, which spend an average of about five percent of total resources on lobbying and political activity,⁵ are repositories of industry or profession-specific expertise and knowledge and serve as a vital resource for policymakers who craft legislation or regulatory policy. This function **benefits the public interest** to help ensure that public policy is directionally correct and beneficial to the American economy and society at large.

¹ IRS Data Book 2019. North American Industry Classification System (NAICS). U.S. Census Bureau.

² Bureau of Labor Statistics. 2018 Annual Averages. Quarterly Census of Employment and Wages (QCEW).

³ Events Industry Council. Global Economic Significance of Business Events. November 2018.

⁴ IRS Data Book 2016. NAICS (North American Industry Classification System). U.S. Census Bureau.

⁵ ASAE Research Foundation. 2016 Association Operations Ratio Report.