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Contribution of the Not for Profit Sector

Productivity Commission

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Dear Sir/Madam

Included is a submission into the Productivity Commission's study on the contributions of the not for profit sector. This submission had been prepared by Kelly Eather on behalf of the CommStrength Foundation; a Newcastle based and operated not for profit organisation.

The CommStrength Foundation was established in 1994 with the basic principle of providing whatever help it can to assist young people who are at risk of suicide. Whilst the operations of CommStrength are entirely community funded, there are many Governmental changes that need to be made to help improve the contribution of this not for profit organisation. This submission will focus predominantly on two aspects highlighted in the inquiry;

- Identify unnecessary impediments to the efficient and effective operation of not for profit organisations and measures to enhance their operation, and;
- Examine the impact of the taxation system on the ability of not for profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.

Regards,

Kelly Eather

Submission:

***Contribution of the
Not for Profit Sector***

**By Kelly Eather
on behalf of the CommStrength
Foundation**

Submitted Tuesday, 26th May 2009



Table of Contents

1. Executive summary -	Page 1
2. Introduction -	Page 2
3. CommStrength Foundation -	Page 4
4. Unnecessary Impediments Limiting the Operation of Not for Profit Organisations	
4.1 Mental Health –	Page 5
Table 1	
4.2 Recognition of Volunteers in the Not for Profit Sector -	Page 7
5. Unnecessary Impediments Limiting the Operation of Not for Profit Organisations	
5.1 Categorisation of Not for Profit Organisations -	Page 8
5.2 Tax deductions exceeding 100% -	Page 8
5.3 Liberal Taxation –	Page 9
5.4 Tax Deductible Item Extension –	Page 9
6. Conclusion –	Page 10
7. Recommendations –	Page 11
8. Resources –	Page 12

1. Executive Summary

This submission focuses on two aspects from the inquiry involving impediments to the effective operations of not for profit organisations and the impact of the taxation system in raising funds. It recommends the following;

- that the Government take initiatives to improve mental health in Australia. This should be done via such means as improving education regarding mental health to reevaluate the negative stigma associated with the illness, creating and encouraging recognition and open conversation about mental health in the workplace, and improving health institutions to provide more adequate support for sufferers of the illness,
- the importance of the construction of a system or methodology to measure the work and contribution of volunteers in the not for profit sector,
- the notion that not for profit organisations be categorised into small, medium and large institutions depending on their size,
- that tax deductions in the not for profit sector exceed 100%,
- that a more liberal taxation view be taken of donations made in kind, such as donations of services, and;
- that tax deductions be made for such things as raffle tickets, auctions and fundraisers.

2. Introduction:

The CommStrength Foundation is a Newcastle based and operated charity with the aim of preventing youth suicide in Newcastle and the Hunter Valley. The CommStrength Foundation survives solely through the generosity of the Newcastle and Hunter Communities and does not seek Government funding. It does this to maintain its impartiality and independence. However, there are many changes CommStrength feel need to be made by Government bodies to allow it to contribute more efficiently to society.

This submission will focus predominantly on two aspects highlighted in the inquiry;

- Identify unnecessary impediments to the efficient and effective operation of not for profit organisations and measures to enhance their operation, and;
- Examine the impact of the taxation system on the ability of not for profit organizations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.

The CommStrength Foundation, having no time or resources for such interaction with public policy before, believe it is now an appropriate time to recognise issues in the ‘not for profit sector’ that are limiting its capability to help others. For the past 15 years, the Commstrength committee and founder ‘Father John’ in particular, have been working hard to aid those who other institutions could not, with sole reliance on community members in raising funds. Despite some impediments both implicit and explicit from government bodies and policies, the combination of the current economic climate and a continual downhaul in the health system, has encouraged CommStrength to step forward.

A major issue this submission wishes to emphasise, regards the notion that there needs to be more recognition of mental health and a removal of the negative stigma that is surrounding it. We have put forward a section of disconcerting information regarding the desperate need for changes to be made. This information refers to the mental health statistics of our country and the systems that are failing to support them, acknowledging

Kelly Eather – The CommStrength Foundation

the work of the Mental Health Policy 2008. Some other impediments the submission highlights include the lack of appropriate funding and understanding in social welfare and improved functioning of public institutions. We also emphasise the need for the Commission to consider an appropriate way to measure the contribution of volunteers, with one third of Australia's population working as volunteers and no suitable recognition of their work.

In regards to the taxation system, we propose there to be a categorisation of not for profit organisations into small, medium and large industries for both taxation purposes and to create a better definition and representation of the differing not for profit groups for policy setting. For this, we drew on information taken from the 2008 Disclosure Regimes for Charities and Not-for-Profit Organisations Report. We also propose in this submission the potential for donors of funds to charities could receive a taxation deduction exceeding one hundred percent. Further, the idea of a more liberal taxation view taken of donations made in kind is something we recommend to aid the ability of not for profit organisations to raise funds.

3. CommStrength Foundation:

The CommStrength Foundation was established in 1994 and has over the past 15 years helped countless young people experiencing problems. On average, the CommStrength Foundation helps over 150 people every year, and endeavours to maintain an ongoing interaction with them to offer constant support.

CommStrength provides a “whatever it takes” help service involving such things as;

- Counselling
- Advocacy
- Support through hospitalisation
- Personal financial organisation
- Family mediation
- Employment pathways

CommStrength survives solely through the generosity of the Newcastle and Hunter Communities and does not seek Government funding. Every dollar received by the foundation is directed to helping young people who are at risk of suicide and no one associated with CommStrength receives wages. Put simply, all work is done freely and without payment.

4. Unnecessary Impediments Limiting the Operation of Not for Profit

Organisations:

4.1 Mental Health:

In the CommStrength Foundation field of work, along with many other not for profit organisations, mental health issues are a major issue. Research shows that one in five Australians will experience a mental illness every year with depression and anxiety being the most prevalent (one in ten Australians experience anxiety disorders and one million Australian adults and 100,000 youth suffer from depression), with the Mental Health Council of Australia predicting depression to become the world’s greatest health problem by the year 2020. The following table depicts the elevated figures associated with mental health disorders. The data is taken from the ABS 2007 National Survey of Mental Health and Wellbeing in Australia.

Table 1: Prevalence of mental disorders by sex in the previous 12 months.

		Males		Females		Persons
	%	Population estimate	%	Population estimate	%	Population estimate
Any affective disorder	5.3	420,100	7.1	575,800	6.2	995,900
Any anxiety disorder	10.8	860,700	17.9	1,442,300	14.4	2,303,000
Any substance use disorder	7.0	556,400	3.3	263,500	5.1	819,800
Any mental disorder	17.6	1,400,100	22.3	1,797,700	20.0	3,197,800

Source: ABS, National Survey of Mental Health and Wellbeing: Summary of Results, 2007

Being such a significant issue, it seems indisputable that mental health be a major focus for the Government and health services; yet two thirds of people with a mental illness do not receive any treatment in any 12 month period. Society has been found to place a negative stigma on the notion of mental illness, and as a result, those who suffer are both ashamed and embarrassed, which at times leads to them suffering in silence or living in a denial of their illness.

Kelly Eather – The CommStrength Foundation

Mental health has severe effects on those who suffer from it and, in turn, upon the supporting friends and families. The majority of sufferers end up on welfare and charity care, such as ours, and it is important to note that it is not only people from low socio-economic families that suffer. Identification of mental health issues needs to be improved and not for profit organisations, such as the CommStrength Foundation, who are trying to help these sufferers, need changes to be made to assist in our contribution to the community and the sufferers. Mental illness causes a vicious cycle that can lead to drug use, physical and mental abuse, and suicide and the health systems are not handling it. We are frequently being faced with sufferers who have been misdiagnosed by such systems and who have been faced with discrimination and a lack of understanding from the community.

The National Mental Health Policy 2008 has been a good step towards tackling some of the major issues, yet more action needs to be done. Education, employment and community recognition of mental health issues needs to be made, with open discussions about issues to encourage understanding and support. Education about mental health issues also needs to begin at an early age to prevent early onset, and additional support from Government into mental health research.

In reality, if the Australian mental health system was up to adequate standard, the CommStrength Foundation, and other similar not for profit organisations, would not have to exist. Yet, the issues occurring around such institutions are prevalent, and more support is needed on another level, as we have just mentioned, to ensure that we can fill the gaps that Government run and funded institutions cannot.

And whilst there is widespread recognition today that these ‘gap filling’ organisations play a crucial role, there is insufficient formal support from government of their work or community funding needs.

Recommendations: That the Government take initiatives to improve mental health in Australia. This should be done via such means as improving education regarding mental health to reevaluate the negative stigma associated with the illness, creating and encouraging recognition and open conversation about mental health in the workplace, and improving health institutions to provide more adequate support for sufferers of the illness.

2.2 Recognition of Volunteers in the Not for Profit Sector

On 12 May 2009, NBN Television (Nine Network affiliate in northern NSW) ran a news story that detailed that one third of Australian's work as volunteers, yet their contribution is not recognised or calculated in the gross domestic product (GDP). Additionally, as Jeni Warburton and Melanie Oppenheimer state in their influential book *Volunteers and Volunteering* (2000), volunteering has “long been underestimated, under-researched and undervalued” by the Australian Government.

The CommStrength committee is made up entirely of unpaid volunteers and we strongly feel the necessity of the construction of a system or methodology to measure the work of such volunteers in the not for profit sector. Volunteers are invaluable to the work of countless not for profit organisations, and their continuation would not be possible without such support. Since there are little to no formal policies on volunteering in Australia, the adequate measure of the contribution of not for profits towards the community relies on the capability of measuring the work of volunteers.

<p><u>Recommendations:</u> That the Government construct a system or methodology to measure the work of volunteers in the not for profit sector.</p>
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5. Impact of the Taxation System on the Ability of Not for Profit

Organisations to Raise Funds:

5.1 Categorisation of Not for Profit Organisations

We believe the Commission should consider categorising not for profit organisations into small, medium and large classifications depending on their size. As part of the ‘third sector’, non profit organisations are often diverse in size, shape and performance. In a review of the 4th December 2008 Disclosure Regimes for Charities and Not-for-Profit Organisations report viewed by the Senate, there was a significant number of submissions relating to the confusing nature of the definition of the third sector and not for profit institutions. A dissection of not for profits into three different categories could help create both a clearer definition and a more adequate way to adopt the taxation system, rather than focusing it on a broad, scatter-gun approach.

5.2 Tax deductions exceeding 100%

We believe that it is a real priority for donors of funds to charities to receive a deduction exceeding one hundred percent. The amount of percent could vary but, for example, say 110% tax deduction, so that a \$100 donation in cash could receive a \$110 allowable deduction for their tax purposes.

The amount of the percent would not need to be much greater than 100 but it would send a brilliant message from government and would increase substantially donations made, as it generates a more attractive image and motive for those who may consider donating if there is ‘more in it for them’, in a sense. There have been similar situations where tax deductions were in excess of 100% for certain types of research and development activities and movie productions, so there are taxation precedent for these type of arrangements. It begs the question - why not use these precedents as a basis for supporting the important work of the not for profit sector?

Recommendations: That not for profit organisations be categorised into small, medium and large institutions depending on their size and that tax deductions in the not for profit sector exceed 100%.

5.3 Liberal Taxation

On a similar theme we would encourage a more liberal taxation view taken of donations made in kind, such as donations of services, or products. Presently, it is virtually impossible to claim as a tax deduction the donation of services or products to a charity.

5.4 Tax Deductible Item Extension

Additionally, under current tax laws, only ‘donations’ are treated as tax deductible. We feel that the Commission should seriously consider allowing tax deductions for payments made to attend balls, functions and fundraisers and the cost of raffle tickets, auction items, and so on. 2004 saw \$2 billion donated to not for profit organisations merely through the purchase of raffle tickets and auction attendance; with the necessary tax changes, this figure could plausibly triple, aiding our contribution invaluablely.

Whilst these amounts may not be fully tax deductible, there could be an ‘allowable’ amount included in the cost of such items. This would not only encourage the increase in funds to be raised but also help to ensure that the majority of the funds that we, or other organisations raise goes directly towards helping and facilitating those in need, rather than paying off our fundraising prizes.

Recommendations: That a more liberal taxation view was taken of donations made in kind and that tax deductions be made for such things as raffle tickets, auctions and fundraisers.

6. Conclusion:

To conclude this submission, we would like to reiterate the fact that the CommStrength Foundation is not Government funded, nor seeks Government funding. However, it is writing this submission to ensure that the necessary changes are made to help continue our contribution to society, particularly in the midst of such hard economic times. Not for profit organizations are absolutely vital to the fundamentals of society, and should be a predominant and continuous focus of the government. Needless to say, they should be properly supported by government.

We recognise some governmental changes that have been made in the past 24 months, but encourage the Commission to do more for the non profit sector. The issue of mental health is crucial for our country. Consequently, education, understanding and supporting institutions need to be placed on a higher agenda or it is likely national mental health will deteriorate further. Recognising the work contribution of volunteers in the GDP also needs to be examined to ensure the adequate measure of the not for profit sector's contribution to society, both financially and morally.

As noted previously in this submission, the benefits of categorising not for profit organisations are copious. In addition, allowing tax deductions exceeding 100% is likely to lead to great benefits. The tax system should be reviewed in a way that offers society the most rewarding and beneficial view for donating to charities and not for profit organisations.

We hope this submission has provided a succinct insight into some of the impediments and necessary changes that could benefit the not for profit sector. The importance of the sectors viability and continuation is paramount to maintaining and growing on Australia's long time community commitment to companionship and support to others. The community, through its many volunteers, continues to do its bit, it is time for the government to stand strongly behind them.

7. Recommendations:

- That the Government take initiatives to improve mental health in Australia. This should be done via such means as improving education regarding mental health to reevaluate the negative stigma associated with the illness, creating and encouraging recognition and open conversation about mental health in the workplace, and improving health institutions to provide more adequate support for sufferers of the illness. (Page 5)
- That the Government construct a system or methodology to measure the work of volunteers in the not for profit sector. (Page 6)
- That not for profit organisations be categorised into small, medium and large institutions depending on their size. (Page 8)
- That tax deductions in the not for profit sector exceed 100%. (Page 8)
- That a more liberal taxation view was taken of donations made in kind. (Page 9)
- That tax deductions be made for such things as raffle tickets, auctions and fundraisers. (Page 9)

8. Resources:

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