

# FINANCIAL SUSTAINABILITY OF CSOs: 101

Dr. Dragan Golubovic  
ECNL, Budapest



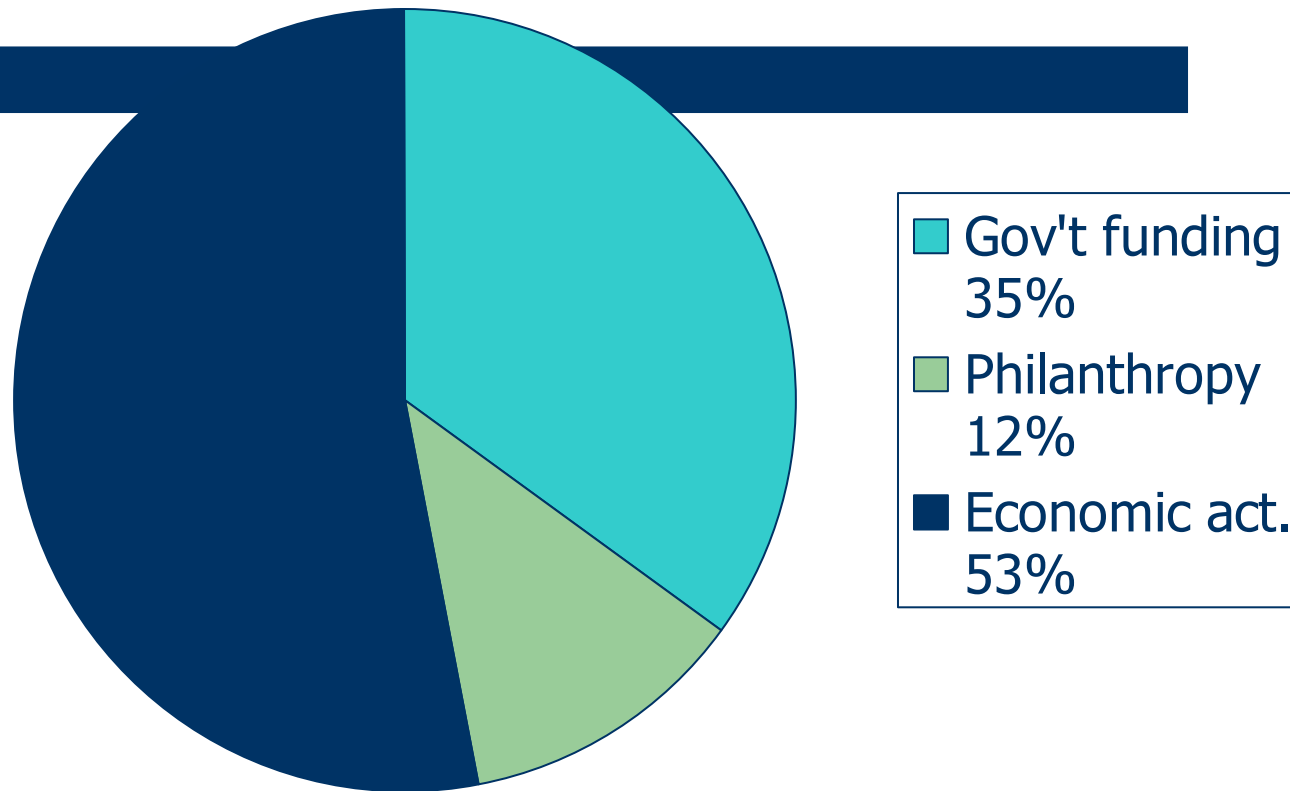
# CSOs: SOURCES OF FUNDING

- **PUBLIC AND PRIVATE SOURCES OF FUNDING.**
- **PUBLIC SOURCES OF FUNDING: DIRECT AND INDIRECT:**
- **DIRECT PUBLIC SOURCES:**  
*GOVERNMENT GRANTS, SUBSIDIES (FOR CSOs THAT ENGAGE IN SOCIAL SERVICE PROVISIONS).*
- **INDIRECT PUBLIC SOURCES: TAX BENEFITS FOR CSOs.**

# CSOs: SOURCES OF FUNDING

- **PRIVATE SOURCES OF FUNDING:**
- **DONATIONS BY CORPORATIONS AND INDIVIDUALS**
- **GIFTS**
- **ENDOWMENTS**
- **VOLUNTEER WORK**
- **INCOME GENERATED FROM CSOs**  
*(membership fees, passive income, income generated from economic activities).*

# CSOs REVENUE SOURCES



*Source:  
John Hopkins Comparative Nonprofit Sector Project*

# TAX BENEFITS FOR CSOs: GENERAL RULES

- **TAX BENEFITS:**
- **PRIMARILY PROVIDED FOR GIVING TO CSOs THAT ENGAGE IN PUBLIC BENEFIT ACTIVITIES (CHARITIES) - AND FOR INCOME GENERATED BY CHARITIES.**
- **TAX BENEFITS SUBJECT TO CERTAIN CONDITIONS** (*Non-distribution constraints, income must only be used to further a CSOs statutory purposes, etc*).
- **EMPHASES ON THE TYPE OF QUALIFYING ACTIVITIES, RATHER THAN INSTITUTIONS THAT ENGAGE IN THOSE ACTIVITIES.**

# TAX BENEFITS FOR CSOs: BEST PRACTICES

- **TAX BENEFITS (*FOR DONOR*):**
- **DONATIONS BY CORPORATIONS AND INDIVIDUALS EXEMPT TO SOME DEGREE (OR ELIGIBLE FOR TAX CREDITS).**
- **DONATIONS IN VOLUNTEER WORK ALSO SUBJECT TO EXEMPTIONS/CREDITS.**
- **GIFTS TO CSOs EXEMPT.**

# TAX BENEFITS FOR CSOs: BEST PRACTICES

- TAX BENEFITS (*FOR DONEE*):
- TAXES NOT LEVIED ON GIFTS AND DONATIONS RECEIVED BY CSOs.
- TAXES NOT LEVIED ON PASSIVE INCOME GENERATED BY CSOs.
- TAXES NOT LEVIED ON REAL ESTATE OWED BY CSOs.
- INCOME GENERATED FROM CSOs ECONOMIC ACTIVITIES EXEMPT TO SOME EXTENT.

# PERCANTAGE MECHANISM: CONCEPT

- **ALLOWS TAX PAYERS (NATURAL OR LEGAL PERSONS) TO ALLOCATE CERTAIN PERCANTAGE OF HIS TAXABLE INCOME TO DESIGNATED PUBLIC BENEFIT PURPOSES.**
- **NOT A TAX EXEMPTION, BUT A FORM OF QUASI BUDGETARY SUPORT.**
- **The “Percentage Group”:**
  - **Inventor of 1% law: Hungary (1996)**
  - **Slovakia (2% + 2%), Lithuania (2%), Poland (2%), Romania (1%)**



# SOME ADVANGATES

- CSOs:
  - Resource for local and smaller CSOs
  - Market based – healthy competition
  - Linking with the community
- Tax payers:
  - Decision how certain % is spent
  - Awareness about civil society issues
- State:
  - Decentralized/de-politicized government support
  - Popular measure

# DILEMMAS

- Is it generating enough resources that it's worth the administration costs?
- Is it creating “classes” of CSOs – who is more important for the public (those with better developed advocacy skills)?
- Is it enhancing, delaying or substituting development of philanthropic culture?
- When should it be introduced?

# THANK YOU!



Apaczai Csere Janos u.17, 1st floor,  
Budapest 1052,Hungary  
phone: + 361 318 6923  
fax: + 361 266 1479  
[www.icnl.org/ecnl](http://www.icnl.org/ecnl)

Email: [dragan@ecnl.org.hu](mailto:dragan@ecnl.org.hu)