

# Charity Board Term Limits: What's the Best Practice?

06.30.17 | Linda J. Rosenthal, JD



“Board governance is often taken for granted in the early stages of creating a nonprofit organization.” There is excitement about “the first steps in achieving the mission of the fledgling NPO” or resolving pressing funding issues.

The recruitment of board members is often a top priority in the organizational phase. Few groups, though, give any thought at that point about a mechanism to cut loose these enthusiastic supporters after a number of years of service. As a matter of good governance, that should change. Many seasoned organizations realize – belatedly – that it’s an issue they should have considered right from the start.

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*More than ever before, boards are rethinking and reviewing past practices to make sure that the organizations they represent are making progress....As part of the review, non-profit boards are weighing the pros and cons of term limits for board members. In evaluating this issue, non-profit boards are reviewing trends, surveys, and best practices.*

Recently, the momentum has been in favor term limits; “conventional wisdom holds that there should be board turnover from time to time.” But is this necessarily so?

There is no “one-size-fits-all answer that is right for the wide range of American nonprofits. There are legitimate arguments for *and* against term limits. Experts and observers have chimed in on this topic; several common themes and arguments emerge.

## *Arguments in Favor of Board Term Limits*

### ***Introduces “fresh blood”***

There will be new talent, skills, and ideas along with greater diversity of background, age, and opinion. A “fresh crop” of directors will also bring expanded contacts and networks. And – rather than severing ties completely with outgoing directors – the organization can retain some or all within the fold, albeit in different emeritus capacities: advisers, fundraisers, and advocates in the larger community.

### ***Eliminates troublesome or nonperforming directors***

Having term limits is the easiest, most diplomatic, way to get rid of difficult or ineffective board members. “When long-serving board members are unproductive, it can be difficult to relieve them of their duties, even for the good of the organization.”

Who are “less-than-adequate” directors? Examples include those who:

- Have poor meeting-attendance records
- Are inactive on board committees
- Don’t represent the organization well to the public
- Seldom volunteer for any extra duty
- Don’t donate
- Disrupt meetings

Term limits are valuable, also, for directors who want or need to leave: an easy, graceful, no-questions-asked exit.

### ***Promotes good governance***

A term-limits policy offers the time to evaluate the type of talent [needed] for a well-rounded, efficient board and to make well-thought-out plans for recruitment” For directors, it minimizes burnout and encourages them “to complete what they’d like to accomplish during the length of their service.”

## *Arguments Against Board Term Limits*

### ***Avoids loss of experience, training, and contacts***

Not having mandatory term limits at arbitrary intervals avoids the loss of valuable years of experience and knowledge about the organization’s mission and operations. It also prevents disruption of long-cultivated networks and relationships with community or elected leaders, government or regulatory officials, donors, and others.

### ***Promotes stable, consistent governance***

Allowing directors to continue in service for long periods results in a coherent team of passionate and talented people who have a track record of accomplishments. (Having an effective evaluation process for re-nominations is sufficient to relieve unproductive board members from their terms when necessary.)

Certain predictable problems with arbitrary term limits are avoided; for instance, the need for

remaining and new directors to “recalibrate.” Often, “new board members who claim a spot on a board of long-timers may be hesitant to bring their ideas forth for fear of them not being well-received. Seasoned board members may fear that new members will slow down the momentum that they worked hard to achieve.”

Opponents of term limits also point out that a term-limited director’s interest may wane when the period of service is coming to a close.

***Keeps dedicated donors***

Allowing committed board members to continue in service maintains steady and reliable streams of donations from directors with long-standing connections to the organization and its mission.

### *Applicable Law*

Neither the IRS nor California has a law mandating term limits for nonprofit boards. “The IRS offers nothing formal.... If pressed, the IRS would say it leans toward having limits, on the grounds that a board with static membership might be prone to adopting unhealthy insider attitudes, and begin to govern out of self-interest rather than for the good of the organization.”

California law regarding directors’ terms for nonprofit public benefit corporations is codified at [California Corporations Code Section 5220](#). Directors serve for a period of time specified in the articles or bylaws, up to 4 years (or 6 years for organizations without official, “statutory” members). If there is no specific term mentioned in the articles or bylaws, the term is one year. Directors’ terms can be staggered. The only requirement is that the group hold periodic elections at regular intervals.

### *Conclusion*

“Despite strong pros and cons on both sides, a [2010 survey by BoardSource Nonprofit Governance](#) showed that 70% of non-profit boards have term limits.

However, “[w]hile the trend is strong in favor of term limits, the diverseness of non-profit organizations means that term limits may not work well across the spectrum.”

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*Setting term limits as a stand-alone issue doesn’t necessarily equate to best practices. What does constitute best practice is to regularly review whether the organization needs term limits and whether they fit in with the mission and vision of the organization.*