

Senate Finance Committee

Tax Reform Working Groups



Protecting America's Strong Tradition of Giving

Written Statement for the Record

April 15, 2015

On behalf of the Charitable Giving Coalition, a diverse group representing private and community foundations, their grantees and independent charities, as well as nonprofit organizations and the associations and for-profit entities that serve their needs, we are pleased to provide a written submission regarding tax reform and incentives for charitable giving.

As you contemplate changes to the tax codes, we urge to you to preserve the full scope and value of the charitable deduction. The deduction for charitable contributions is a long-standing recognition of the value our society places on the selfless act of charitable giving. The charitable deduction is also different than other itemized deductions in that it encourages individuals to give away a portion of their income to those in need. It rewards a selfless act and ensures a greater amount of charitable donations to charities to fund their philanthropic missions that provide innumerable benefits throughout our communities.

A calculation of the deduction suggests that those in need receive \$2.50 of benefit for every \$1 of tax benefit going to the donor. In 2013, Americans gave over \$335 billion to support charitable causes according to *Giving USA*, much of which is supported by tax incentives for philanthropic giving such as the charitable deduction.¹

We have concerns about the President's FY 2016 Budget that would cap itemized deductions at 28 percent for certain taxpayers. A recent study estimated a total loss of charitable giving from this cap of about \$9.4 billion in the first year.² The proposed cap would have long-lasting negative consequences on the charitable organizations upon which millions of Americans rely for vital programs and services.

We also wanted to share with you our concerns about some of the proposed changes to the deduction included in former House Ways and Means Committee Chairman Camp's *Tax Reform Act of 2014*. Specifically, we believe the two percent of adjusted gross income (AGI) floor for charitable gifts would dramatically decrease giving, particularly to those charities that largely rely on small, private donations. One survey indicated that the charitable sector would lose \$3 billion per year in charitable contributions if a two percent AGI floor were imposed.³ Another study indicates that this provision, among other changes to the charitable deduction, would cause individual charitable giving to decrease between 2.2 and 4.4 percent, which represents a potential \$5.3 to \$10.5 billion decrease in charitable contributions.⁴ We also are concerned about changing the existing annual AGI limitations on the charitable deduction which would discourage cash gifts in favor of gifts of property while also limiting the deductions of certain contributions of property to basis, rather than fair market value.

Taken together, these and other proposed changes could potentially eliminate the charitable deduction for 95 percent of all taxpayers and reduce individual charitable giving between 7 and 14 percent – a potential loss of \$16.8 to \$33.6 billion in charitable contributions.⁵

Research clearly indicates that the changes to the charitable contribution deduction, in the context of fundamental tax reform as outlined last year by then Chairman Camp would, in fact, decrease giving. For

¹ Giving USA Foundation 2014, *Giving USA 2013 The Annual Report on Philanthropy for the year 2013*.

² Arthur C. Brooks, "The Great Recession, Tax Policy and the Future of Charity in America," American Enterprise Institute, December 2013.

³ Statement of Frank J. Sammartino, Assistant Director for Tax Analysis, Congressional Budget Office, "Options for Changing the Tax Treatment of Charitable Giving," Senate Committee on Finance, Oct. 18, 2011.

⁴ Joseph Rosenberg, C. Eugene Steuerle, Ellen Steele, and Amanda Eng, "Preliminary Estimates of the Impact of the Camp Tax Reform Plan on Charitable Giving," Urban Institute Center on Nonprofits and Philanthropy and Urban-Brookings Tax Policy Center, August 2014.

⁵ *Ibid*

example, data derived by the Tax Policy Center at the Urban Institute and Brookings Institution shows that under current law a \$1 contribution to charity on average costs the giver \$0.77.⁶ According to the research, the overall Camp proposal would increase the average cost of a \$1 contribution to \$0.88— an increase of more than 14 percent.⁷

Donors do not choose to give to charity because of the tax deduction. However, the deduction very much affects the amount that they are able to give. Basic economics, not to mention simple common sense, indicate that increasing the cost of a charitable contribution will reduce the amount contributed.

Nonprofit organizations that rely on charitable gifts to provide valuable services to communities have a powerful impact on the American economy. These organizations generate \$1.1 trillion every year in the form of jobs and services.⁸ One in 10 U.S. workers is employed by the nonprofit sector, which provides 13.7 million jobs.⁹ Employees of nonprofit organizations received roughly nine percent of wages paid in the U.S., and the nonprofit sector paid \$587.7 billion in wages and benefits.¹⁰

The charitable sector and those served by our charities continue to feel the effects of the recession, and we are just now seeing an uptick in both charitable contributions and philanthropic programs and services. Now is not the time to experiment with the charitable deduction.

We urge your support of the charitable sector and the invaluable deduction that spurs giving. We look forward to working with you and your staff on this important issue as tax reform continues to take shape.

Sincerely,

Association of Fundraising Professionals, Chair
Alliance for Charitable Reform
Alliance for Strong Families and Communities
American Alliance of Museums
American Institute for Cancer Research
American Jewish Committee
American Red Cross
American Society of Association Executives
Americans for the Arts
Americans for the Arts Action Fund
Association for Healthcare Philanthropy
Association of Art Museum Directors
Association of Direct Response Fundraising Counsel
Association of Gospel Rescue Missions
Blackbaud, Inc.
Community Foundation Public Awareness Initiative
Council for Advancement and Support of Education
Council for American Private Education
Council for Christian Colleges & Universities
Council on Foundations

⁶ Ibid

⁷ Ibid

⁸ Roeger, Katie L., Amy S. Blackwood, and Sarah L. Pettijohn, *The Nonprofit Almanac 2012*, The Urban Institute: 2012.

⁹ Ibid

¹⁰ Ibid

Dance/USA
DMA Nonprofit Federation
Dunham+Company
Educational Media Foundation
Girl Scouts of the USA
Goodwill Industries International
Independent Sector
Jewish Federations of North America
Land Trust Alliance
Leadership 18
League of American Orchestras
National Association of Independent Schools
National Catholic Development Conference
National Catholic Educational Association
National Council for Behavioral Health
OPERA America
Partnership for Philanthropic Planning
Performing Arts Alliance
The Philanthropy Roundtable
Philanthropy Ohio
Salvation Army
The Sharpe Group
Theatre Communications Group
United Way Worldwide
Volunteers of America
YMCA of the USA