

# THE CHARITABLE GIVING COALITION

## *Protecting America's Strong Tradition of Giving*

February 28, 2013

The Honorable Dave Camp  
Chair  
Committee on Ways and Means  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

Re: House Ways and Means Committee Hearing on Tax Reform and Charitable Contributions

Dear Chairman Camp:

The Charitable Giving Coalition, representing a broad cross-section of nonprofit organizations across the country, thanks you for holding the Hearing on Tax Reform and Charitable Contributions on February 14, 2013. As your committee continues its tax reform efforts, we urge you to protect the current charitable deduction. It is a powerful American tradition that encourages giving, strengthens communities and serves as a model for the world.

The charitable deduction is 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 it encourages taxpayers to give more to charities than they would otherwise have given. In 2011, Americans gave nearly \$300 billion to support charitable causes according to Giving USA, much of which is claimed as a charitable tax deduction.<sup>1</sup> A calculation of the charitable deduction indicates that for every \$1 a donor can deduct for their donation, the public receives approximately \$3 of benefit. It is unlikely that any other tax provision generates that kind of positive public impact.

From healing and educating to enriching lives through the arts to feeding the hungry and providing relief in times of crisis, the charitable sector is inextricably linked to our communities. We simply cannot afford to experiment further with the charitable deduction. The recently reinstated Pease limitation contained in the American Taxpayer Relief Act of 2012 already has reduced the value of charitable deduction for certain taxpayers. With the reinstatement of the Pease limitation, it is imperative that Congress not enact any additional caps or limitations on itemized deductions, including the charitable deduction.

Such a move would dismantle incentives that support the crucial work of nonprofits in our communities - developing medications, improving education and health, protecting the environment, creating jobs, enhancing arts and culture and much more.

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<sup>1</sup> Giving USA Foundation 2012, Giving USA 2011 The Annual Report on Philanthropy for the year 2011.

## *Charitable Giving Will Decrease*

Several studies indicate giving will decrease if the charitable deduction is capped, limited or replaced by other provisions. If the Administration's proposed 28 percent cap were imposed, the sector could lose anywhere between \$1.7 billion<sup>2</sup> to \$5.6 billion<sup>3</sup> per year. These estimates are based upon the previous top marginal tax rate of 35 percent. The actual loss in charitable contributions could be worse in light of the new 39.6 percent tax rate.

The effect of an actual dollar cap on the charitable deduction could be even more devastating. Many taxpayers would exceed a hard dollar cap before ever claiming a charitable deduction, according to analysis by the National Association of Home Builders.<sup>4</sup> Tax policy experts have noted that charitable giving is more sensitive to tax changes compared to other deductible payments, such as local taxes and mortgage interest. That is because taxpayers generally cannot adjust or modify their local taxes or mortgage payments. However, taxpayers can adjust their levels of charitable contributions quite easily in response to tax code changes.

Other changes to the charitable deduction would have equally disastrous effects on charitable contributions—a loss of \$3 billion per year if a two percent adjusted gross income (AGI) floor were imposed<sup>5</sup> and a loss of \$9.17 billion per year if the charitable deduction were replaced with a 12 percent tax credit.<sup>6</sup>

According to a survey from the United Way, of those Americans who say they would reduce charitable giving if the deduction is capped or limited, the majority (62 percent) would curtail their giving significantly—26 percent would reduce their contributions by 50 percent or more and 36 percent would reduce their charitable giving between 25 percent and 50 percent.<sup>7</sup>

## *Communities Need the Support of Nonprofits and Charities Now More Than Ever*

People are continuing to feel the effects of the recession. Governments and private sector organizations are strapped. The charitable sector not only fills the gap by providing philanthropic services to those individuals and communities in need, but it also bolsters the economy and provides much-needed jobs. Nonprofits generate \$1.1 trillion every year in the form of jobs and services.<sup>8</sup> One in 10 U.S. workers are employed by the nonprofit sector, which provides 13.7

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<sup>2</sup> C. Eugene Steurle, "The Tax Treatment of Charities & Major Budget Reform," Testimony before the Senate Committee on Finance, Hearing on Tax Reform Options: Incentives for Charitable Giving, Oct. 18, 2011.

<sup>3</sup> Joseph J. Cordes, "Re-Thinking the Deduction for Charitable Contributions: Evaluating the Effects of Deficit-Reduction Proposals," *National Tax Journal*, Dec. 2011.

<sup>4</sup> Rob Dietz, Ph.D. and Natalia Siniavskaia, Ph.D., "A Tax Profile of a Typical Mortgage Interest Deduction Beneficiary," Sept. 4, 2012.

<sup>5</sup> Statement of Frank J. Sammartino, Assistant Director for Tax Analysis, "Options for Changing the Tax Treatment of Charitable Giving," Senate Committee on Finance, Oct. 18, 2011.

<sup>6</sup> Joseph J. Cordes, "Re-Thinking the Deduction for Charitable Contributions: Evaluating the Effects of Deficit-Reduction Proposals," *National Tax Journal*, Dec. 2011.

<sup>7</sup> United Way Worldwide, "The Charitable Deduction Poll," Nov. 2012.

<sup>8</sup> Katie Roeger, Amy Blackwood and Sarah Pettijohn, *The Nonprofit Almanac 2012*, The Urban Institute 2012.

million jobs.<sup>9</sup> 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 to its employees.<sup>10</sup>

*The American Public Wants the Charitable Deduction Preserved*

The United Way survey found that nearly 80 percent of Americans believe that reducing or eliminating the charitable tax deduction would have a negative impact on charities and the people they serve.<sup>11</sup> Two out of every three Americans (67 percent) are opposed to reducing the charitable tax deduction.<sup>12</sup>

The charitable deduction makes more and larger gifts possible, and they do have an impact on donors. According to a January 2013 national survey, 75 percent of Americans continue to say they value the deduction as it currently stands.<sup>13</sup> Sixty-one percent say that they feel strongly about maintaining the current deduction, up from 56 percent in January 2012.<sup>14</sup>

We urge you to maintain the current charitable deduction and support a vibrant charitable sector. We look forward to working with you and your colleagues on the Tax Reform Charitable/Exempt Organizations Working Group and identifying the best ways to protect the unique value of the charitable deduction in our communities.

Sincerely,

Association of Fundraising Professionals, Chair  
Agudath Israel of America  
Alliance for Charitable Reform  
Alliance for Children and Families  
Alliance of Nonprofit Mailers  
American Alliance of Museums  
American Institute for Cancer Research  
American Society of Association Executives  
Association of Art Museum Directors  
Association of Christian Schools International  
Association of Direct Response Fundraising Counsel  
Association for Healthcare Philanthropy  
Children's Hospital Association  
Council for Advancement and Support of Education  
Council for American Private Education  
Council on Foundations  
Dance/USA  
Direct Marketing Association Nonprofit Federation

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<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> United Way Worldwide, "The Charitable Deduction Poll," Nov. 2012.

<sup>12</sup> Ibid

<sup>13</sup> Dunham+Company study (Wilson Perkins Allen Opinion Research's January 2013 Omnibus Study).

<sup>14</sup> Ibid

Direct Marketing Association  
Dunham+Company  
Educational Media Foundation  
The Field Museum  
The Forum of Regional Associations of Grantmakers  
The Giving Institute  
Giving USA Foundation  
The Jewish Federations of North America  
Leadership 18  
League of American Orchestras  
The National Catholic Development Conference  
National Human Services Assembly  
OPERA America  
Philanthropy Ohio  
The Philanthropy Roundtable  
Saint Louis Art Museum  
Theatre Communications Group  
United Neighborhood Centers of America  
United Way Worldwide  
Volunteers of America  
YMCA of the USA