



Protecting America's Strong Tradition of Giving

July 11, 2013

The Honorable Max Baucus
The Honorable Orrin G. Hatch
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Tax Reform "Blank-Slate" Approach

Dear Chairman Baucus and Ranking Member Hatch:

In light of the recently released "blank-slate" tax reform plan, we urge you to preserve the charitable tax deduction as it currently stands.

Specifically, we ask you to recognize and include the charitable tax deduction as an important tax provision that must be continued in the reformed tax code. It clearly meets the three criteria you established:

- Advances important policy objectives.
- Helps bolster the economy.
- Makes the tax code fairer.

We are encouraged that many elected leaders recognize the value of the charitable sector, even as tough decisions must be made to address our fiscal challenges and reform our tax system. But, we have serious concerns that the charitable deduction continues to be threatened during this debate. Tampering with America's 100-year-old incentive that encourages giving would have devastating consequences for our communities and the millions of people who depend on vital services supported through charitable giving.

The Charitable Deduction Advances Important Policy Objectives

The charitable deduction has proven to be extraordinarily effective at empowering the private sector to serve the public good. It enhances the ability of individuals and businesses to help neighbors in need, as well as to create, fund and operate the institutions that make up the fabric of our civil society.

In 2012, Americans donated more than \$300 billion to support charitable causes, according to Giving USA, with itemized giving comprising more than 80 percent of the total estimate for individual giving—nearly \$229 billion.

Studies show that any cutback in the charitable deduction would hurt our communities, hitting hardest those who need support the most. If Congress takes away or harms the deduction, we put at risk billions of dollars in private donations that have supported diverse, worthy causes and policy objectives.

The Charitable Deduction is Vital to a Strong Economy and Thriving Communities

Charitable giving fueled by the deduction creates a vibrant and economically vital charitable sector. Consider the following economic benefits:

- Nonprofits generate \$1.1 trillion every year in the form of jobs and services.¹
- The sector employs one in 10 U.S. workers, providing roughly 13.7 million jobs.²
- Employees of nonprofit organizations receive roughly nine percent of all wages paid in the U.S., totaling \$587.7 billion.³

The charitable deduction is unique—and it works. It is different than other itemized deductions because it encourages individuals to give back a portion of their income to their communities. A calculation of the charitable deduction indicates that for every \$1 a donor can deduct for his or her donation, the public receives approximately \$3 of benefit. It is unlikely that any other tax provision generates that kind of positive public impact.

Without such private support, governments and taxpayers will be called upon to operate and pay for the programs maintained by America's charities. To be clear – it's not about the donors. It's about what donors' dollars do to aid the most vulnerable, educate, heal, nurture and innovate—often in ways that government and the private sector cannot.

Encouraging Charitable Giving Makes The Tax Code Fairer

Since 1917, our tax code has recognized the value and fairness of the charitable deduction. Charitable donations benefit the people and communities that are served by charities and the philanthropic sector, and provide critical support to our communities and the most vulnerable among us.

By allowing those who give so generously to claim a deduction at the same rate at which taxes are paid, our long-standing tax policy has ensured that such gifts are not subject to additional tax. Fairness requires that charitable donors not be taxed on money donors do not have, and on income they do not retain.

¹ Katie Roeger, Amy Blackwood and Sarah Pettijohn, *The Nonprofit Almanac 2012*, The Urban Institute 2012.

² Ibid

³ Ibid

Americans Want to Protect the Charitable Deduction

The charitable deduction receives overwhelming public support.

- A recent United Way Worldwide 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.⁴
- Two out of every three Americans (67 percent) are opposed to reducing the charitable tax deduction.⁵
- According to a January 2013 national survey, 75 percent of Americans say they value the deduction as it currently stands.⁶
- Sixty-one percent say that they feel strongly about maintaining the current deduction, up from 56 percent in January 2012.⁷

We are grateful for the opportunity to expand lawmakers' understanding about the unique nature of the charitable deduction and our communities that depend on it. Now is not the time to upend the charitable tax deduction. Doing so would hurt most those who can least afford it—those who depend on the charitable sector. Harmful changes to existing policy also would undermine the fiscal strength of charitable organizations and the millions of employees affiliated with them. We look forward to continuing to work with you to maintain the current charitable deduction and to maintain this powerful giving incentive and strong American tradition.

Sincerely,

Association of Fundraising Professionals, Chair
Alliance for Charitable Reform
Alliance of Nonprofit Mailers
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 Christian Schools International
Association of Direct Response Fundraising Counsel
Association of Gospel Rescue Missions
Children's Hospital Association
The Connecticut Council for Philanthropy
Council for Christian Colleges & Universities

⁴ United Way Worldwide, "The Charitable Deduction Poll," Nov. 2012.

⁵ Ibid

⁶ Dunham+Company study (Wilson Perkins Allen Opinion Research's January 2013 Omnibus Study).

⁷ Ibid

Council on Foundations
Dance/USA
DMA Nonprofit Federation
Donors Forum
Dunham+Company
ECFA
Educational Media Foundation
The Field Museum
Florida Philanthropic Network
Forum of Regional Association of Grantmakers
The Fraternal Government Relations Coalition
Girl Scouts of the USA
Independent Sector
The Jewish Federations of North America
Leadership 18
The League of American Orchestras
Lutheran Services of America
Minnesota Council on Foundations
National Association of Independent Schools
National Catholic Development Conference
National Catholic Educational Association
National Council of Nonprofits
The National Panhellenic Conference
Nonprofit Association of Oregon
North American Interfraternity Conference
OPERA America
Partnership for Philanthropic Planning
Performing Arts Alliance
Philanthropy Ohio
The Philanthropy Roundtable
Southeastern Council of Foundations
The St. Baldrick's Foundation
Theatre Communications Group
United Way Worldwide