

# An Open Letter from Economists on the Charitable Deduction

As Congress and the Administration deliberate fundamental tax reform, a variety of voices will fairly claim their tax situation is unique, deserving of special treatment. However, only the charitable deduction can make this case without reservation or equivocation. It truly is unique in purpose and consequence, and should be retained in any income tax reform.

For every other tax incentive, the tax benefit follows some action or aspect relating directly to and benefitting the taxpayer. A donor making a charitable deduction, in contrast, benefits neither the taxpayer nor the receiving institution, but rather the population that institution serves, whether unwed mothers, the environment, education, or religious engagement.

The social safety net comprises strands from government at all levels interwoven with services provided by national philanthropic organizations like the Red Cross, and local organizations addressing local needs. As a society we reap tremendous benefits in cost and effectiveness by relying extensively on these private institutions. Parsimonious with their resources, their efforts are often leveraged many times over by dedicated, unpaid volunteers inspired to support their communities in ways and to a degree federal programs cannot hope to match. One needn't disparage federal social safety net programs to acknowledge the tremendous advantages to society, and the important budgetary savings, from relying on volunteer-driven, private, philanthropic organizations across the country. These organizations and volunteers would not achieve the same kind of success without the charitable deduction and the generous support of philanthropic Americans.

A charitable donation is a selfless act. It is also an economic act, transferring resources from the donor to those in need. And according to the Joint Committee on Taxation last year individuals gave away almost \$218 billion. As the resources no longer remain with the donor, it would be illogical to tax the donor on those resources as though they remained the donor's property. As Congress advances fundamental tax reform, as professional economists we urge all negotiating parties to preserve the charitable deduction as a proper, beneficial, and socially cost-effective feature of the federal individual income tax and contributor to a civil society.

Respectfully,

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