United Way Worldwide

701 North Fairfax Street
Alexandria, Virginia 22314-2045
tel 703.683.7800
fax 703.683.7846
brian.gallagher@unitedway.org

Brian Gallagher
President and Chief Executive Officer

LIVE UNITED

April 16, 2013

Dear Editor:

Your April 11 editorial, (*It's the GOP's turn to be serious with the budget*) missed the mark by indicating the president's budget does not hurt incentives for charitable giving.

Reducing the value of the charitable tax deduction would significantly harm nonprofits and the millions of people who rely on them. The budget plays Jenga with America's nonprofit sector – undercutting vital support necessary for nonprofits to survive.

If the president's proposed 28 percent cap on charitable contributions is imposed, donations to nonprofits could diminish by more than $5.6 billion per year – more than the combined annual operating budgets of the American Red Cross; Goodwill Industries International, Inc.; Habitat for Humanity, the Boys & Girls Clubs of America; Catholic Charities USA; and the American Cancer Society.

These estimates are based upon the previous top marginal tax rate of 35 percent. The actual loss in charitable contributions could be worse given the new 39.6 percent tax rate. Tax policy experts agree that charitable giving is more sensitive to tax changes than other deductible payments, such as local taxes and mortgage interest, because they can't be modified. However, taxpayers can easily adjust their levels of giving in response to tax code changes.

A United Way Worldwide survey found that among Americans who would reduce charitable giving if the deduction is reduced, 62 percent would curtail giving significantly – by 25 percent or more.

With higher demand for support services and fewer resources, we should be looking for more – not fewer – ways to encourage charitable giving.

Sincerely,

Brian A. Gallagher