

THE CHARITABLE GIVING COALITION

Protecting America's Strong Tradition of Giving

Comments on the Tax Reform Act of 2014

The Charitable Giving Coalition, representing a broad cross-section of nonprofit organizations across the country, applauds the tireless work of Chairman Camp and his staff. We appreciate the Chairman's recognition of the importance of preserving a charitable deduction, signaling that this is a unique giving incentive that encourages generous Americans to support charitable causes. However, we are concerned about some provisions that would negatively impact charitable giving and the philanthropic programs and services provided by our nation's charities.

We are heartened that the Chairman's plan supports charitable giving by enacting an extension of time to file for charitable deductions. We also appreciate efforts to simplify rules with respect to charitable contributions. These efforts acknowledge that 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 donate more to charities than they would otherwise have given. In 2012, Americans gave nearly \$316 billion to support charitable causes according to Giving USA, much of which is claimed as a charitable tax deduction.¹ 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.

Some Proposals Could Cause Charitable Giving to Decrease

We do have concerns about the proposed two percent adjusted gross income (AGI) floor. One survey indicated that the charitable sector would lose \$3 billion per year in charitable contributions if a two percent adjusted gross income (AGI) floor were imposed.² We also are concerned about the simplification of the AGI limitations that would reduce the limitation for cash contributions, in one instance from 50 percent to 40 percent for some types of foundations and public charities, and in another instance, from 30 percent to 25 percent for other recipients such as certain private foundations. Both changes could destabilize charitable giving. Similarly, we are concerned that limiting the value of deductions for property will dampen the incentive for gifts of real estate or closely-held business interests.

We believe that these provisions require further study to determine the implications of those changes. 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. If Congress changes existing policy in a way that diminishes charitable giving, the communities we serve and the individuals we help would suffer the most—not the donors.

¹ Giving USA Foundation 2013, Giving USA 2012 The Annual Report on Philanthropy for the year 2012.

² 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.

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

Governments and private sector organizations are strapped, while demand for services is increasing. According to the Nonprofit Finance Fund, 85 percent of nonprofits experienced higher demand for their services in 2011 and at least 70 percent have seen increased demand since 2008. The trend is expected to continue through 2014.

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.³ One in 10 U.S. workers is employed by the nonprofit sector, which provides 13.7 million jobs.⁴ 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.⁵

We again thank the Chairman for his support of the charitable sector and the invaluable deduction that spurs giving. We look forward to working with Chairman Camp and his colleagues to ensure that any tax reform plan preserves the unique value of the charitable deduction in our communities.

³ Katie Roeger, Amy Blackwood and Sarah Pettijohn, *The Nonprofit Almanac 2012*, The Urban Institute 2012.

⁴ Ibid

⁵ Ibid