



Protecting America's Strong Tradition of Giving

July 17, 2017

The Honorable Orrin Hatch
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200
taxreform2017@finance.senate.gov

Re: Stakeholder Comments on Comprehensive Tax Reform

Dear Chairman Hatch:

In response to your June 16th call for stakeholder feedback on Comprehensive Tax Reform, the Charitable Giving Coalition (CGC) respectfully offers the following information for consideration by you and your colleagues as the Senate tackles the task of simplifying and improving our tax code.

The Charitable Giving Coalition (CGC) is an engaged stakeholder in tax reform. For nearly a decade, CGC has served as a unique, unified voice representing a broad cross-section of nonprofit organizations from across the country. It is supported by more than 175 organizations, including individual nonprofit organizations, large national and international charities, faith-based organizations and several associations and umbrella groups that represent the charitable sector. CGC is specifically dedicated to preserving a charitable giving incentive that ensures that our nation's charities receive the funds necessary to fulfill their essential philanthropic missions and serve their communities.

Our comments draw your attention to an unintended consequence of current individual tax reform proposals and offer a constructive solution for declines in charitable giving that the proposals would otherwise inevitably cause. We will also specifically address two of the priorities you raised in your call for comments: (1) providing tax relief to the middle-class and (2) removing disincentives and impediments for investment in communities across every state in our country.

Unintended Consequences – Giving Declines Under Current Proposals

One of the central reforms in several current proposals is to increase the Standard Deduction for individual taxpayers, dramatically reducing the number of itemizers. CGC does not oppose this proposal.

However, the correlation between taxpayers who itemize and high levels of charitable giving is very strong. The CGC is concerned about unintended consequences for charities if the number of taxpayers who itemize – and take a charitable deduction – is reduced. According to Giving USA, in 2016 approximately 82 percent of total individual giving was made by itemizers. For 2016, charitable donors who itemized their taxes accounted for more than \$231.38 billion of contributions; total individual giving was \$282.86 billion. Charitable giving by taxpayers who itemize represents 72.5 percent of overall charitable giving, which includes individuals, foundations, bequests and corporations.¹

Our concerns are supported by a recent study commissioned by Independent Sector and conducted by Indiana University Lilly Family School of Philanthropy. The findings, released in May, confirmed what many leaders in the nonprofit sector had suspected: reducing the number of itemizers by increasing the standard deduction will, by most calculations, reduce itemizers from 33.3% of all taxpayers to only 5%. That translates to nearly 30 million taxpayers who will no longer be able to leverage the charitable deduction.²

Current tax reform proposals will reduce the scope and value of the deduction. The same study found that the **current tax reform proposals would significantly decrease charitable giving by as much as \$13.1 billion (4.6 percent).**³ Without question, this \$13.1 billion decline in charitable giving will cause a crisis for America's communities as the resources for services provided by charities decline. Thousands of charities, millions of constituents and countless communities will be affected.

Dramatically narrowing the charitable deduction to a small group of taxpayers is also bad tax policy. Roger Colinvaux, professor of law at the Catholic University of America Columbus School of Law and former legislation counsel for the Joint Committee on Taxation (2001 to 2008), recently addressed the issue, stating:

¹ *Giving USA 2017: The Annual Report on Philanthropy for the Year 2016*, Giving USA Foundation, at 24 and Executive Summary, 2017, researched and written by the Indiana University Lilly Family School of Philanthropy. www.givingusa.org. Giving USA, the longest-running and most comprehensive report of its kind in America, is published by Giving USA Foundation, a public service initiative of The Giving Institute.

The Joint Committee on Taxation estimates that for the 2017 tax year approximately 48.7 million taxpayers will elect to itemize deductions. *OVERVIEW OF THE FEDERAL TAX SYSTEM AND POLICY CONSIDERATIONS RELATED TO TAX REFORM*, prepared testimony for a Public Hearing Before the Senate Committee on Finance on July 18, 2017, prepared by the Staff of the Joint Committee on Taxation, p. 4.

² Indiana University Lilly Family School of Philanthropy Study, commissioned by Independent Sector, *Tax Policy and Charitable Giving Results*, May 2017. <http://independentsector.org/wp-content/uploads/2017/05/tax-policy-charitable-giving-finalmay2017-1.pdf>

³ Ibid

. . . broad-based participation in the giving incentive is central to its integrity and provides a base for a dynamic and worthy charitable sector. A charitable deduction for only a handful of taxpayers is fatally flawed and would weaken the law of section 501(c)(3), with dreadful results for the nonprofit sector.⁴

Our Solution – Charitable Giving Incentive for All Taxpayers

The CGC asks you and your Senate Committee on Finance colleagues to enact a **charitable deduction available to all taxpayers, whether or not they itemize.**

Recent data supports that an expansion of a charitable giving incentive will assure that the full value of the current charitable deduction is preserved. The Indiana University study calculated that a universal charitable deduction would not only offset the potential loss in charitable dollars due to current tax reform proposals, but it also would increase charitable giving by \$4.8 billion per year.⁵

Expanding the charitable deduction also advances two of your priorities. First, it would allow all taxpayers, including the middle class, to deduct from income their annual charitable contributions, thereby reducing their tax burden. Second, it incentivizes all American taxpayers to invest in their communities through their individual contributions to charities. Every taxpayer will be incentivized to contribute. Because the current charitable deduction is tied to the itemized deduction, and taxpayers who itemize their returns are often in higher income brackets, there is some criticism that the incentive is limited to wealthy Americans. Expanding the deduction recognizes and incentivizes charitable giving across all taxpayers and all income brackets.

The CGC strongly believes that expanding the charitable deduction is **good tax policy.** It simplifies the tax code, promotes fairness, supports charities and strengthens communities.

Charitable Giving Incentives Work

Charitable giving allows Americans to create, fund, and operate the institutions that are the fabric of our civil society. It supports nearly every facet of life in our communities: education, research, health services, housing and shelter, job training, arts, culture, religion, environmental protection, historic preservation, civil rights, civic engagement and more.

2017 marks the 100th anniversary of the charitable tax deduction. This is a remarkable milestone. Comprehensive tax reform presents an important landmark opportunity to expand, not reduce, the value of America's long-standing giving tradition.

⁴ *The Importance of a Participatory Charitable Giving Incentive*, Roger Colinvaux, Tax Notes, 605-606, January 31, 2017.

⁵ *Ibid*

Mr. Chairman, we are grateful for your demonstrations of support over many years. We often include one of your quotes in our presentations: “*Every charitable gift has one thing in common: The donor is always left worse off financially, but society is made better.*”

We know you are familiar with the impressive statistics. Last month, Giving USA released its latest report. American individuals, estates, foundations and corporations contributed an estimated \$390.05 billion to U.S. charities in 2016.⁶ Important for the purposes of our proposal to expand the charitable giving incentive, individuals accounted for \$281.86 billion of those contributions, representing nearly 75% of overall charitable giving.⁷ This is a resounding demonstration that Americans have a tremendous spirit and capacity for giving.

Charitable giving reflects the priorities and passions of the donors. Giving USA found that giving to all nine major categories of recipient organizations grew, making 2016 just the sixth time in the past 40 years that this has occurred.⁸ The nine categories are religion; education; human services; giving to foundations; health; public-society benefit; arts, culture and humanities; international affairs; and environment and animals.

CGC often emphasizes the fact 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 give more funds to charities than they would otherwise give. A calculation of the deduction suggests that those in need receive \$2.50 of benefit for every \$1 of tax benefit going to the donor. No other tax provision generates that kind of positive public impact.

Finally, the vast majority of Americans support expanding the charitable deduction. A 2016 national survey of voters commissioned by *Independent Sector*⁹ found – across all voter affiliations:

- 75% of voters support expanding the charitable deduction.
- 88% believe Congress should make it easier to deduct charitable contributions from taxes.
- 79% believe that all taxpayers should be able to take advantage of the charitable deduction.

In March 2017, Independent Sector conducted another poll across all voter affiliations. Again, the poll asked whether respondents support or oppose expanding the charitable deduction to all taxpayers whether or not they itemize. The findings were identical to the 2016 survey. Seventy-five percent of respondents supported this change.¹⁰

⁶ *Giving USA 2017: The Annual Report on Philanthropy for the Year 2016.*

⁷ Ibid

⁸ Ibid

⁹ Independent Sector, *United for Charity*, 2016. <http://www.independentsector.org/wp-content/uploads/2016/10/United-for-Charity-v5.pdf>

¹⁰ March 2017 poll of 800 registered voters. <http://independentsector.org/resource/poll-universal-charitable-deduction/>

The Charitable Sector Plays Significant Role in Our Economy and Workforce

Although not traditionally considered part of the business sector, the contribution of charity and philanthropy to our economy and the workforce should be fully considered as you contemplate changes to the tax code. For that reason, we offer brief comments addressing your priority to “put the economy on a better growth path and create jobs.”

Bolstering the charitable sector is a key means of jumpstarting the economy. In 2014, nonprofits contributed \$937.7 billion to the economy, which equates to 5.4 percent of Gross Domestic Product (GDP).¹¹ One in 10 U.S. workers are employed by the nonprofit sector. In its most recent survey, Urban Institute reported that the nonprofit sector provided 14.4 million jobs and \$634 billion in wages (2013 data).¹²

The nonprofit sector has steadily increased its share of jobs and the economy over the past decade. The number of jobs has grown 14% over the decade from 2003 to 2013. The sector’s position as a share of the economy has also increased over the same decade, from 9.7 to 10.6%.¹³ Between 2005 and 2013, years that included the recession, the nonprofit sector outpaced both government and business in percentage growth of employment.¹⁴

Enact a Charitable Deduction for All Taxpayers

In closing, the CGC will continue its efforts throughout the tax reform process to encourage Congress to preserve and expand incentives for charitable giving by enacting a universal charitable deduction for all taxpayers. As we work with Committee members and staff, we hope you view us as a valued, trusted resource for information about the implications of tax code changes on giving and charitable organizations. Our highest priority is to ensure that giving incentives remain strong and that Americans continue to generously support charities.

We welcome the opportunity to provide additional information. Please contact Jason Lee, Chair of the CGC and Interim President & CEO, Association of Fundraising Professionals, at JLee@afpnet.org and 703-519-8484.

Sincerely,

The Charitable Giving Coalition

Attachment:

2017 roster of organizations supporting the Charitable Giving Coalition

¹¹ Brice S. McKeever, Nathan E. Dietz, Saunji D. Fyffe, *The Nonprofit Almanac 2016*, The Urban Institute 2016.

¹² Ibid

¹³ Ibid

¹⁴ Ibid

ATTACHMENT: The Charitable Giving Coalition – About Us and Roster of Participating Organizations, 2017



- A **unique, unified voice** representing a broad cross-section of nonprofit organizations from across the country.
- Supported by **more than 175 organizations**, including individual nonprofit organizations, large national and international charities, faith-based organizations and several associations and umbrella groups that represent the charitable sector.
- **Dedicated to preserving a charitable giving incentive** that ensures that our nation’s charities receive the funds necessary to fulfill their essential philanthropic missions.

CGC formed in 2009 in response to proposals by the Obama Administration and Members of Congress to limit the tax deduction for charitable contributions. The organizations listed below are supporting CGC in 2017.

As Congress and the Trump Administration contemplate comprehensive tax reform, the CGC remains a relevant, constructive voice.

For more information about CGC, contact Jason Lee at AFPPresident@afpnet.org or 703-684-0410.

Association of Fundraising Professionals,
Chair

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| Abila | American Red Cross | Capital Caring |
| Agudath Israel of America | American Society of Association Executives (ASAE) | Catholic Charities USA |
| Alliance for Charitable Reform | APRA | Catholic Health Initiatives National Foundation |
| Alliance for Strong Families and Communities | Aronson LLC | Center for Non-Profits |
| American Alliance of Museums | Association for Healthcare Philanthropy | Children’s Hospital Association |
| American Baptist Foundation | Association of Art Museum Directors | Cincinnati Zoo and Botanical Gardens |
| American College of Obstetricians and Gynecologists | Association of Christian Schools International (ACSI) | Community Foundation of Greater Birmingham |
| Americans for the Arts | Association of Direct Response Fundraising Counsel | Community Foundation Public Awareness Initiative |
| Americans for the Arts Action Fund | Augusta Levy Learning Center | Connecticut Community Foundation |
| American Heart Association | Blackbaud Inc. | Connelly Foundation |
| American Institute for Cancer Research | Boston University | Cornell University |
| American Jewish Committee | | |

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| Council for Advancement and Support of Education (CASE) | Iowa State University Foundation | Ohio Jewish Communities |
| Council for American Private Education | Jewish Federation of Chicago | OPERA America |
| Council for Christian Colleges & Universities (CCCU) | Jewish Federations of North America | Oregon Jewish Community |
| Council on Foundations | Jewish Federation of Philadelphia | Oregon State University |
| Dance/USA | Johns Hopkins University | Partnership for Philanthropic Planning |
| Delaware Alliance for Nonprofit Advancement | Kansas State University | Peachhealth Southwest Medical Center Foundation |
| Delaware Symphony Orchestra | Kansas State University Foundation | Pennsylvania Association of Nonprofit Organizations |
| Des Moines Art Center | Kauffman Foundation | Performing Arts Alliance (PAA) |
| Detroit Zoological Society | Kentucky Nonprofit Network | Pet Alliance of Greater Orlando |
| Development Workshop Foundation | KL Ward Consulting & AICR Consultant | Philanthropy Ohio |
| Disabled American Veterans | Leadership 18 | Pittsburgh Ballet Theatre |
| DMA Nonprofit Federation | LeadingAge | PlayMakers Repertory Company – Center for Dramatic Arts |
| Dunham+Company | League of American Orchestras | Princeton University |
| Duke University | LifeBridge Health | Rutgers, The State University of New Jersey |
| Easter Seals Midwest | Louisiana Association of Nonprofit Organizations | School of Professional Studies, New York University |
| Evangelical Council for Financial Accountability (ECFA) | m3 Development | Saint Louis Zoo |
| Faith and Giving Coalition | Major Gifts | Share Our Strength |
| Feeding America | Massachusetts Nonprofit Network | SOAR (Support Our Aging Religious) |
| The Field Museum | Mayo Clinic | SofterWare/DonorPerfect Fundraising and the Giving USA Foundation |
| Florida Nonprofit Alliance | Mercy Medical Angels | South Dakota Community Foundation |
| Focus Fundraising | Michigan State University | Special Events Unlimited, Inc. |
| Forum of Regional Associations of Grantmakers | Mon General Hospital Foundation | Spencer Museum of Art, University of Kansas |
| George Washington University | Mundelein Seminary (Roman Catholic) | St. Baldrick's Foundation |
| George Washington University School of Medicine and Health Sciences | National Association of Charitable Gift Planners | St. Labre Indian School |
| Girl Scouts of Eastern Pennsylvania | National Association of College and University Business Officers (NACUBO) | St. Rose Dominican Health |
| Girl Scouts of the USA | National Association of Independent Schools | The Advise Us Fund |
| Goodwill Industries International | National Association of Latino Arts and Culture | The American College of Financial Services |
| Grantmakers of Western Pennsylvania | National Catholic Development Conference | The Cathedral Center |
| Grinnell College | National Christian Foundation | The Children's Museum of Indianapolis |
| Habitat for Humanity Int'l | National Council for Behavioral Health | The Community Foundation for the National Capital Region |
| Hazen Inc. | National Council of Nonprofits | The Community Foundation for Northeast Florida |
| Hindu American Foundation | National Philanthropic Trust | The Giving Institute |
| IEEE Foundation | Nature Conservancy | The Foraker Group |
| Independent Sector | New Jersey Institute of Technology | |
| InfoGroup | Nonprofit Association of the Midlands | |

The Philanthropy Roundtable
The Salvation Army
The Stelter Company
The University of Texas Health Science
Center at Houston (UTHealth)
The Wilma Theatre
Theatre Communications Group
TrueSense Marketing
UK Markey Cancer Foundation
Union of Orthodox Jewish Congregations
of America (Orthodox Union)
United Way of Central Massachusetts
United Ways of Pacific Northwest
United Way Worldwide
Unity Point Health – Des Moines
Foundation
University of Colorado
University of Iowa
University of Maryland School of Nursing
(Baltimore)
University of Michigan
University of Missouri
University of North Carolina System
Utah Museum of Fine Arts
Valley of the Sun United Way
Volunteers of America
Waynesburg University
Westmoreland Museum of American Art
White Memorial Medical Center Charitable
Foundation
Wildlife Conservation Society
Williams College Museum of Art
Wilmington College
World Vision US
Wounded Warrior Project
Wyoming Nonprofit Network
Year Up
YMCA of the USA