

THE CHARITABLE GIVING COALITION

Protecting America's Strong Tradition of Giving

Frequently Asked Questions

Q. What is the Charitable Giving Coalition?

A. The Charitable Giving Coalition is a group of nonprofit, charitable and other organizations dedicated to preserving the law that provides a tax deduction for taxpayers who give to charities. The coalition's members represent a unified voice to raise awareness among lawmakers in Washington, D.C. about the value of the charitable deduction and its impact in providing essential community services to millions of Americans.

The coalition is comprised of a broad cross-section of diverse nonprofit and charitable organizations that serve millions of people throughout America. Members include the Council on Foundations, United Way Worldwide, Catholic Charities USA, the American Red Cross, the American Council on Education, the American Institute for Cancer Research, Jewish Federations of North America, the Association of Fundraising Professionals, Independent Sector, The Philanthropy Roundtable and more.

Q. What is the charitable deduction and why is it important?

Much of charitable giving is claimed as a deduction by millions of taxpayers each year, meaning they are not subjected to federal income taxes on money they give away to charities. For example, under the current law, if a donor in a certain tax bracket gives \$100 to charity, he or she is able to claim \$35 of that donation as a tax deduction.

The charitable deduction is a vital and unique incentive that encourages individuals to give away a portion of their income without getting anything back. Data suggests that for every \$1 subject to the charitable deduction, communities reap up to \$3 in benefits. It's unlikely the government could find a more effective way to leverage private investment in community services.

Yet, Congress is considering limits or caps on the value of the charitable deduction to address our nation's fiscal crisis, which certainly must be addressed. But now is not the time to dismantle a 100-year American tradition that encourages giving. Nonprofits and those they serve need more support, not less, particularly as local, state and federal budgets and nonprofits continue to suffer the consequences of America's recession – increased demand for services with significantly fewer resources to get the job done.

Q. How is the coalition different than other efforts underway by similar organizations designed to protect the charitable deduction?

A. We all share the same goal. The Coalition is committed to working closely with any partner committed protecting the charitable deduction and sustaining a strong philanthropic sector and stronger communities.

Q. Given the “fiscal cliff” crisis, it seems every sector is going to have take a hit as Congress addresses tax reform and deficit reduction. Why should the charitable deduction be exempt?

A. Limiting or doing away with the charitable deduction at a time when people are still reeling from the recession and facing government cutbacks simply makes no sense. It’s not a way to avoid the “fiscal cliff,” it is simply shifting it to the philanthropic sector and communities that depend on them.

Q. Why is the Coalition solely focused on the charitable deduction? Why is it more important than other tax policies affecting charitable giving, like the IRA rollover or the excise taxes that foundations have to pay? Aren’t they equally important?

A. All incentives that encourage giving are an important part of nurturing a strong philanthropic sector, which is vital for a faster, sustainable economic recovery. Each would help make it easier for Americans to give. But, the charitable deduction is an immediate concern. Congress is considering caps or limits on the deduction right now.

The coalition aims to pierce the “inside-the-beltway” bubble with a dose of reality from thousands of communities outside the beltway. Congress and the Administration must recognize what is at stake: crucial programs and services, from food pantries and medical research to youth programs and seed grants to start new businesses.

Q. Some argue that lowering the value of the charitable deduction won’t adversely impact giving. Is there really cause for concern if the charitable deduction is capped?

A. In 2011, individuals gave nearly \$300 billion to support charitable causes, according to Giving USA. Any caps or limits on charitable giving will have a devastating impact on charities and nonprofits. If donors have less incentive to give to charities – donations will decline, impeding the important work nonprofits do for the millions of Americans who rely on them. The fact is that those hit hardest by the economic downturn and unemployment will be hurt the most.

For example, up to \$5.6 billion in charitable giving would be lost each year if the president's proposal to cut the charitable deduction were enacted.

Americans get it. A new public opinion poll commissioned by the United Way found that most Americans (79 percent) believe reducing or eliminating the charitable tax deduction would have a negative impact on charities and the people they serve. Of those who indicate they would reduce charitable giving, the majority (62 percent) indicate they would have to reduce their contributions by a significant amount – by 25 percent or more. Two out of every three Americans (67 percent) are opposed to reducing the charitable tax deduction.

Now is not the time to dismantle incentives to support the crucial work of the nonprofit sector – developing medications and technological advances, improving education and health, protecting the environment, creating jobs, enhancing the arts and culture.

Q. Does it really make a difference if donors get a smaller tax break and those dollars are shifted to the government? Wouldn’t the government be able to provide those resources more effectively?

A. Government plays an important role in providing key services. Yet, donors trust nonprofits most when it comes to effectively addressing community-level needs. Much of the success and impact of nonprofits depends on the direct support they receive from donors. Shifting funds from the charitable sector to government is the wrong way to go when we know private donors continue to target their contributions to organizations that are meeting essential community needs.

For example, if the president's proposal to cap the charitable deduction at 20 percent, estimates show a reduction in giving by up to \$5.6 billion each year. That's more than the annual operating budgets of Red Cross, Goodwill, the YMCA, Habitat for Humanity, the Boys and Girls Clubs, Catholic Charities, and the American Cancer Society combined.

Data suggests that for every dollar a donor gets in tax relief for his or her donation, the public typically receives three dollars of benefit. No other tax provision generates that kind of positive public impact.

Q. Doesn't the charitable deduction primarily benefit wealthy individuals? What's the benefit to the middle class?

A. Nonprofits and the individuals, families and communities who benefit from them rely on the generosity of donors at every income level. They provide much of the vital resources on which worthy causes and millions of people rely. In fact, according to a new public opinion poll commissioned by United Way, the charitable deduction is used by people of varying income levels, not just high-income individuals. The percent of people indicating they use the charitable deduction is the same for households with incomes between \$50K-\$100K; \$100K-\$150K; and \$150K+.

It's faulty logic to stand behind the notion that the charitable tax deduction is a benefit for the wealthy and that it won't be missed. If Congress approves caps or cuts to the charitable deduction - millions of the most needy served by America's nonprofit sector will be hurt the most. They will be hit with the double whammy of government cutbacks and decline in the support of organizations like the Red Cross, the Salvation Army, the Boys & Girls Club and the American Cancer Society.

Q. Would changes to the charitable deduction impact all charities equally, or do some types of charities stand to lose more than others?

A. The Coalition is concerned about the impact limits to the charitable deduction would have on all nonprofit efforts and the millions of people who benefit from them.

Much is at stake. Consider:

- Nonprofits generate \$1.1 trillion every year through human services and provide 13.5 million jobs.
- Nonprofits account for 5.4 percent of the GDP and 9 percent of all wages paid.
- This diverse sector supports efforts to:
 - Develop advances in science and technology, from insulin and the polio vaccine to the MRI and pacemaker
 - Provide educational opportunities
 - Ensure housing and shelter for the most vulnerable
 - Protect the environment and historic treasures

- Provide access to the arts and cultural activities

Q. Should the value of the charitable deduction be structured in such a way to give preference for donations for education or health or other human services over cultural or religious causes?

A. America's strong tradition of giving is rooted in the opportunity for people to give to the causes that matter most to them. We shouldn't place restrictions on generosity.

Q. Do you think protecting the charitable deduction is more important than protecting other deductions, like the mortgage deduction?

A. These deductions are all important to Americans. It's important to note that the charitable deduction is a unique tax benefit. It encourages individuals to give away a portion of their income without getting anything back. This makes it different from other tax benefits, which encourage individuals to spend or save more for themselves.

Also, consider this analysis by the National Association of Home Builders, the average married, joint-filing taxpayer who itemized in 2009 claimed \$20,464 in itemized deductions:

- \$10,365 of which was consumed by deductions for home mortgage interest
- \$3,667 for state and local income taxes
- \$3,287 for real estate taxes

Total: \$17,329

Under one idea to cap the value of itemized deductions at \$17,000, people would have no room left for a charitable tax deduction after using other deductions.

Q. Given the fiscal crisis we're in, everyone has to make sacrifices. Can't nonprofit executives simply reduce their pay?

A. Like all sectors, nonprofits are making cutbacks to their budgets and staff. What we're talking about is service to community. Those who need most help will suffer the most at a time they can least afford it. There are millions of people who rely on crucial programs and services that nonprofits provide - from food pantries and medical research to youth programs and seed grants to start new businesses.

Q. There are a lot of proposals floating out there (Obama, Romney, Simpson-Bowles, etc.) related to limitations on the charitable deduction – from eliminating the deduction to capping it. If the coalition is forced to settle for one approach, which would it be?

A. The Coalition believes that any caps or limits on charitable giving will have a devastating impact on charities and nonprofits. If donors have less incentive to give to charities – donations will decline, impeding the important work nonprofits do for the millions of Americans who rely on them.