MORAN’S MEMO: MAINTAINING THE TRADITION OF CHARITABLE GIVING

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As millions of Americans filed their tax returns a few weeks ago, many took into account how much they had given to charities. According to Giving USA, Americans gave nearly $300 billion in 2011 to support important programs and services, from food pantries and medical research to youth programs and seed grants to start new businesses.

Because of the generous annual donations of millions of Americans, nonprofits have impacted the lives of countless individuals. Consider the impact made on the life of William Wilkerson, a 16-year-old Kansan. At age 3, William was diagnosed with moderate to severe bilateral hearing loss. After visiting several doctors, William was taken to Children’s Mercy Hospital in Kansas City, where he was fitted with special hearing aids. He later put into words what he experienced that day, “With so many different things that I had never heard before, it was as if somebody had turned on the world!”

Hearing and Speech Clinic Manager, Denise Miller, said that because of their donor support, they can “fit the most appropriate hearing aids on each and every child, based on their own unique needs.” In 2011, the clinic fit nearly 500 patients with hearing aids – bringing the world of sound to their ears.

But Congress and the Obama Administration are now considering changes to the 100-year-old tradition of providing tax incentives for charitable giving. One such proposal, included in President Obama’s FY2014 Budget, is to cap the total value of tax deductions at 28 percent for higher income Americans – including the charitable deduction. According to the Charitable Giving Coalition, this proposal could reduce donations to the nonprofit sector by more than $5.6 billion every year. This cut amounts to more than the annual operating budgets of the American Red Cross, Goodwill, the YMCA, Habitat for Humanity, the Boys and Girls Clubs, Catholic Charities, and the American Cancer Society combined.

A reduction in giving of this magnitude would have a devastating impact on the future of charitable organizations in our country. Nonprofits are best equipped to provide assistance on the local level and can often do so in a far more effective manner than the government. Studies have shown that for every $1 subject to the charitable deduction, communities receive $3 in benefits. Americans understand the value and impact of the charitable deduction, which is why a recent United Way Worldwide survey found that two out of every three Americans are opposed to reducing the charitable tax deduction.

Given our country’s current economic situation, more Americans have turned to nonprofits for help in recent years. 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. Our country depends on a strong philanthropic sector to provide a safety net of services, especially given tighter local and state budgets.

In times of crisis, Americans also depend on services provided by organizations like the American Red Cross and Habitat for Humanity to help them rebuild their lives. In May of 2007, an EF5 tornado swept through the city of Greensburg, Kan., leaving 95 percent of the community destroyed. Diana Torres, a single mom, had lived in Greensburg with her two children for nearly seven years when the tornado destroyed the home they rented. Diana was faced with the likelihood of having to move out of state, when Wichita Habitat for Humanity stepped in to build a new home with 1400 volunteers. Because of special financing and donated supplies, Diana could afford to purchase the home for her family. Executive Director of Wichita Habitat for Humanity, Linda Stewart, said those who support Habitat “know they are making a difference in someone’s life that lasts for years.”

Since the founding of our nation, neighbors have been lending a helping hand to one another. The charitable deduction is just one way to encourage that tradition to continue. Any cap or reduction in tax
incentives would have long-lasting negative consequences, not only to the generous donor, but to the millions of Americans who rely on the services provided by charitable organizations. With our economy still recovering and many still struggling to provide for their families, Congress should be encouraging Americans to give more, not less.

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