Nonprofits and Charitable Giving Are Keys to My Success

November 8, 2013
By Ithaca Mayor Svante Myrick

My story is not one of a self-made man who pulled himself up by his bootstraps. It is a story of caring individuals and communities giving selflessly to raise, motivate and educate a child.

Because of what’s happening in Washington, D.C., I fear that stories like mine will no longer be possible.

My three siblings and I were raised by our single mother and our grandparents in upstate New York. My mother always worked multiple jobs, but we still had a hard time making ends meet. When we ran out of food we used food stamps to buy groceries. When that wasn’t enough, we relied on the support of food banks. When we had no place to live, we stayed in a homeless shelter.

Caring teachers saw what I was capable of becoming. I was fortunate to have the opportunity to attend Cornell University, but struggled to pay for my college education through a combination of three part-time jobs and federal grants. When that wasn’t enough, I applied for scholarships provided by generous donors.

Now, as mayor of Ithaca, New York, I live and work in the county with the lowest unemployment rate in the state. Our nonprofit institutions of higher education – Cornell University, Ithaca College, and Tompkins-Cortland Community College – pump hundreds of millions of dollars into the local economy, provide more than 10,000 jobs, partner with our private industries and help cultivate new business ventures. Each year, through programs supported in large part by private contributions, these institutions educate some 30,000 bright, creative and energetic students who volunteer at our human service agencies, cultural organizations and schools. A large number of those students work, get federal aid and receive scholarships and fellowships funded through charitable giving.

I’ve been the beneficiary of wise, proactive and energetic government programs. But I’m also aware that my life – and the life of our city – is made possible because every-day Americans give generously to charitable programs. Government simply cannot do it all.

Millions of people throughout America depend on a vital infrastructure of highly effective, compassionate organizations that provide jobs, economic development, health care, food, shelter and so much more.

That’s why I am particularly concerned that lawmakers in Washington, D.C. are seriously considering upending the charitable tax deduction as they work to reduce the deficit and reform America’s tax code. Later this month, hundreds of charitable sector leaders and members of the Charitable Giving Coalition, will gather on Capitol Hill to tell lawmakers that limits on the charitable deduction amount to a dangerous game of Jenga. Tampering with this 100-year-old American tradition would set off a cascade of consequences, devastating the nonprofit sector on which millions rely for jobs, support and services. I know firsthand that such a move would be disastrous for the millions of individuals and the thousands of communities that rely on the support of nonprofit programs and services. It would put at risk billions of dollars in private donations for these worthy causes. For every $1 donors get in tax relief for their contributions, the public typically receives $3 of benefit. That’s a better return on investment than most government programs.

Americans of all income levels give to causes they care about – a selfless act at the heart of our country’s belief in helping others and improving our communities.
For those who believe the charitable deduction is a loophole for wealthy donors, I urge them to take a closer look. It is not about the donors. It’s about people like me who are allowed to realize their full potential with the support generous donors provide. And because these donors are closer to the ground, they often understand the needs of a local community better than the state or federal government.

Consider Ithaca’s Family Reading Partnership, an early childhood literacy program whose $520,000 annual budget comes entirely from private individual, business and foundation donors. Because of their voluntary gifts, the Family Reading Partnership has been able to touch the lives of every family with young children in Tompkins County. More than 300,000 free books have been given to families before and at the birth of their children at doctors’ offices, schools and nearly 40 local Bright Red Bookshelf locations. An additional 100,000 books have been distributed through community partners as diverse as Cayuga Medical Center, the Refugee Resettlement Program and WIC. Why jeopardize a child’s early joy in books and reading by threatening charitable giving incentives?

That’s just one example, and there are countless others throughout America’s communities.

Perseverance, determination, and hard work are still the building blocks of success in America. But what makes our country strong is the fact that when families fall we catch them. We give them a fighting chance.

Every day, millions of families like mine are performing heroic feats in making ends meet and finding opportunities to get ahead. But they aren’t doing it on their own. In every community in this country they’re doing it with the assistance of nonprofits and the donors who support them.

Myrick is mayor of Ithaca, N.Y. At 26, is the youngest person ever elected to hold that office.

As Congress begins to dive deeper into comprehensive tax reform, much depends on unproven projections and economic theories. Americans would be served better if Congress instead considered the real world lessons that states have learned by experimenting with limits on charitable tax deductions: local communities lose far more than governments gain.

States have learned the hard way about the vital nature of charitable giving incentives. Research in Michigan, for example, reveals that contributions have declined considerably since 2011, when the state repealed tax credits for donations to the work of food banks, homeless shelters, and community foundations. Missouri, which had allowed a series of tax credits to lapse, recently saw the need to restore them for giving to various charities, including food pantries.

Lawmakers in several other states have considered limiting charitable giving incentives -- but then reversed course when they saw the damage that would result to their constituents. Last week North Carolina's legislature put the finishing touches on tax reforms that cap all itemized deductions, but intentionally exempted charitable donations from those limits. Similarly, last month, Kansas legislators implemented significant tax reform in an effort to reduce tax rates, but they expressly rejected calls to limit charitable deductions. Likewise, lawmakers in Minnesota voted to retain their state's reliable charitable deduction laws after rejecting a proposal to switch to a tax credit system. And Montana's legislature recently extended the state's charitable endowment tax credit for another six years.

Hawaii also offers insights. In 2011, confronting a severe state budget deficit, Governor Abercrombie supported imposing a cap on how much taxpayers could claim for all itemized deductions, including mortgage interest and charitable donations. But after two years of seeing the adverse effects on charitable giving, the Governor urged the legislature to remove charitable deductions from the caps and restore the full incentive for giving to support the work of charities in Hawaii's communities. Earlier this month, he signed legislation that lifts the experimental cap on charitable giving.

Why did this policy change happen? Because wise lawmakers considered the new data, saw the unintended damage and took corrective action to help their constituents.

The cap on charitable deductions was expected to bring in $12 million per year to the state treasury. As a result, however, charitable donations were estimated to fall by at least $60 million per year, according to the Hawaii Community Foundation. Those numbers -- a one to five ratio of loss of good works in the community -- led to an undeniable bottom line: the tax experiment cost the community more than it generated.

Congress and policymakers elsewhere would be wise to heed this informed insight from the Office of Hawaii's Governor: "After having taken a close look at the impact this particular section of the law is having on charitable donations made to Hawaii's nonprofit organizations, we support carving out this portion of the law to protect full deduction of charitable contributions."

**Lessons for the Federal Tax Debate**
For the past four years, Congress and President Obama have talked about tax reforms that would eliminate loopholes, deductions and exemptions. According to the Center for Effective Government,
President Obama and House Budget Committee Chairman Paul Ryan (R-WI) continue to push proposals to cap or limit deductions that would reduce giving to the work of charitable nonprofits by more than $100 billion over ten years. That's money taken away from communities at a time when needs continue to rise. Fortunately, several in Congress recognize that charitable giving is not a loophole, but a lifeline for our communities.

Let's examine some of the lessons learned from states' experiments with capping deductions for charitable giving:

First, government relies on charitable nonprofits to do some of its work and solve the problems that are too big for government alone; it doesn't make sense to remove incentives that help pay for this important work.

Second, Americans are concerned that their community needs are met and are much less concerned about what tax breaks the donors got for giving their own money away. Donating to the work of charitable nonprofits isn't a political question; it's a nonpartisan answer to meet community needs.

Finally, people across America celebrate when policymakers look at the facts and then fix policies that aren't working as expected. We applaud Governor Abercrombie and the Hawaii legislature for their political courage in recognizing the experiment’s unintended consequences and removing the cap on charitable giving. Americans want their leaders to get things right, whether from the start, or when evidence shows that a course correction is needed.

State legislators are learning from real world experiences and operating more intelligently with respect to incentives to support the important work of nonprofits in local communities. As the debate over our federal tax code continues, Congress and the President must do the same.

Lisa Maruyama is President and CEO of the Hawaii Alliance of Nonprofit Organizations in Honolulu, HI. Tim Delaney is President and CEO of the National Council of Nonprofits in Washington, DC.

http://www.huffingtonpost.com/tim-delaney/charitable-tax-deductions_b_3643849.html
TAX REFORM LESSONS LEARNED FROM STATE EXPERIMENTS

July 25, 2013
By Tim Delaney and Lisa Maruyama

As Congress begins to dive deeper into comprehensive tax reform, much depends on unproven projections and economic theories. Americans would be served better if Congress instead considered the real world lessons that states have learned by experimenting with limits on charitable tax deductions: local communities lose far more than governments gain.

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http://www.huffingtonpost.com/tim-delaney/charitable-tax-deductions_b_3643849.html
DO WE REALLY WANT THE FEDS TAKING OVER U.S. CHARITY?

Letters to the Editor
July 24, 2013

In “How Big Government Co-Opted Charities” (op-ed, July 17), James Piereson turns history on its head by asserting that charitable organizations have been the primary initiators of the financial relationship with the government for the provision of basic social services. In fact, the opposite is true.

Dating back to Boston’s city fathers, America’s political leaders have acknowledged an obligation to help people in need. Except for checks cut for direct assistance to individuals, when government decided to meet pressing needs of its citizenry, it turned to charitable nonprofit organizations to deliver the services.

It is worth noting that while government relied on charities to deliver certain services, the public funds provided were never sufficient to cover infrastructure and administrative costs. Recognizing the need to supplement the public interest by incentivizing Americans to give even more generously to charitable causes, Congress created the charitable deduction in 1917. One of the charitable deduction’s great contributions has been to allow countless charitable activities to sprout and flourish, many having nothing to do with government-funded services, but all enriching our lives and improving our communities.

Diana Aviv
President and CEO
Independent Sector
Washington

By necessity and smart planning, charities have diversified their sources of income. Yet individual contributions remain the largest, reflecting America’s centuries-old tradition of giving back to the community. Not all charities aggressively pursue government funds. Nearly all Association of Gospel Rescue Missions (AGRM), for example, rely solely on private contributions to provide food, shelter, clothing and addiction recovery services.

Charities like AGRM and our members provide vital, privately funded services with greater efficiency than government. As one member of Congress recently confided: “We can’t do what you do—and we shouldn’t try. We would totally mess it up. In no time it would be twice as expensive and half as effective.”

Approximately 80% of World Vision’s donations are from the private sector, which helps the government be more effective in its service projects. It is critical that the private and public sectors work together to most effectively address the needs of the most vulnerable.

Let’s be clear. The charitable tax deduction works. For every $1 a donor deducts, $3 are returned to communities in the form of services and support. Tampering with it would set off a host of cascading economic and social consequences with an unacceptable human cost.

John Ashmen,
Association of Gospel Rescue Missions
Colorado Springs, Colo.

Larry Probus
World Vision
Federal Way, Wash.
Mr. Piereson points out that Johns Hopkins spent nearly $1.9 billion in federal R&D money in 2011, more than any other university. True.

But he then implies that this university uses lobbyists to win those grants, the ones we use to study cancer and malaria, to prevent soldiers’ concussions or to devise better biopsies. That is flat out wrong.

Our faculty’s research isn’t funded because some lobbyist buttonholed a congressman. Our researchers—and those at other universities—devote untold hours and energy to designing experiments, writing grant applications, submitting them to review panels of scientific experts and waiting anxiously for a “yes” or “no.”

That answer, when it comes, isn’t based on clout or favoritism. It is based on merit. Fellow scientists make cold-eyed judgments on which research proposals are strongest and most worthy of funding.

No one should ever conclude that our doctors, scientists and engineers are funded for any reason other than the quality of their research.

**Ronald J. Daniels**  
*President*  
*The Johns Hopkins University*  
*Baltimore*

The secular-left vision is for private funding to be fully replaced by government financing—a vision that is likely to be as damaging here as it has been in Europe, where private charity is as rare as solid economic growth, private-sector job creation and government solvency.

When Washington serves as primary funding agent, political priorities dominate. Subprime mortgage lending, ObamaCare and immigration reform have been promoted by nonprofits cited by Mr. Piereson, with the junior partners getting cash from Washington to advance a mutually rewarding agenda. Good Washingtonians make very poor proxies for good Samaritans.

**Paul Russell**  
*Nashville, Tenn.*

The elephant in this room is for-profit contractors. Direct federal contracts with for-profit corporations grew from $83 billion in 1981 to $517 billion in 2011; for-profit CEO compensation has grown from an average of $1.3 million in 1978 to $11.1 million in 2011. The estimated lobbying bill for the top for-profit industries in 2011: at least $1.7 billion.

My organization doesn’t receive federal grants.

Charities have partnered with government to provide public goods since colonial times. The charitable deduction encourages giving and is one of the ways citizens contribute to the common good and support each other in a healthy democracy.

**Katherine McFate**  
*President and CEO*  
*Center for Effective Government*  
*Washington*

http://online.wsj.com/article/SB10001424127887324328904578621841452568994.html?KEYWORDS=letters+to+the+editor
THE LAB RESULTS ARE IN ON TAX REFORM

July 23, 2013
By Tim Delaney

If the states serve as our policy laboratories, then the lab results are demonstrating conclusively what’s in the best interest of local communities. The results from red, blue and purple states are unmistakable: Charitable giving incentives deserve a permanent place in every reformed tax code. This year, state legislatures from across the country looked at their tax codes with an eye toward raising revenues, lowering rates, streamlining their tax codes, or some/all of the above.

They have served as laboratories in the tax debate and, in the words of U.S. Supreme Court Justice Louis Brandeis, have tried “novel social and economic experiments without risk to the rest of the country.” As with Congress, most have taken a “blank slate” approach to comprehensive tax reform and have considered eliminating, capping, or reducing incentives for charitable giving. Virtually every state has concluded that the support that charitable nonprofits provide to their communities, made possible by charitable donations, is too important to risk limiting the tax incentives.

The consensus is profound because it ignored any hints of partisanship. In recent months, legislators in red states like Kansas and North Carolina expressly preserved their charitable giving incentive, even while capping all other itemized deductions.

Blue states like Oregon and Minnesota thought about capping charitable deductions, and then rejected the idea. The Oregon House voted to cap itemized deductions, but expressly refused to apply the limit to charitable deductions. The Minnesota Legislature considered switching to an eight-percent, nonrefundable tax credit for charitable giving, but ultimately rejected the proposal and retained the state’s charitable deductions for both itemizers and non-itemizers.

Purple states concurred. Citing the importance of giving to nonprofits serving local communities, the Montana Legislature this spring renewed the state’s charitable endowment tax credit for another six years. Missouri restored a series of charitable tax credits for giving to food pantries, pregnancy resource centers, and the Children in Crisis program that had been allowed to expire in recent years due to budget constraints.

Regardless of political ideology, one can learn from mistakes of the past that have created clear and unacceptable harm to communities. In 2011, Michigan repealed tax credits that promoted donations to the work of food banks, homeless shelters, state colleges, and community foundations. Recent analysis reveals that elimination of the credits cost far more in reduced giving to local communities than the amount the state gained.

Also in 2011, the Hawaii Legislature capped all itemized deductions, including charitable donations. Policymakers later found that the estimated $12 million in revenue to the state came at an unacceptable cost of at least $60 million per year in lost donations – a one-to-five ratio of loss of good works in the community. Hawaii’s Governor, former Representative Neil Abercrombie, signed legislation this month [July 2013] removing the limit on charitable donations. What he said in supporting the giving incentive is instructive and compelling: “After having taken a close look at the impact this particular section of the law is having on charitable donations made to Hawaii’s nonprofit organizations, we support carving out this portion of the law” to protect full deduction of charitable contributions.

The resounding show of support for the work of charitable nonprofits in red, blue, and purple states has occurred because policymakers are all coming to the same conclusion: that nonprofit organizations, supported by charitable contributions, are touching the lives of constituents in meaningful ways. These community-based organizations are improving lives, strengthening the economy, advancing the well-
being of their communities, and lightening the burdens of government, taxpayers, and society as a whole.

Legislators are recognizing that the true beneficiaries of charitable donations are the individuals and communities relying on nonprofit programs, services, and innovations. Nonprofits of all sizes and missions depend on the current charitable giving incentive to feed, house, and clothe individuals in need; to promote economic and social well-being; and to solve problems that they are best suited to address. Nonprofits must be able to count on the current tax incentives for charitable giving in order to continue to meet existing and growing demand.

Federal policymakers can learn a great deal from the experimentation by state legislatures in the area of revising charitable and other deductions. The states are finding that capping or eliminating charitable giving incentives significantly undermines financial support for the work of nonprofits. Through the giving of their time and money, Americans support the ability of nonprofits to deliver essential services in local communities across the country. As Congress considers tax reform, it is more important than ever to understand the role of the charitable giving incentive as a lifeline for communities and maintain the incentives for giving that work.

Delaney is president and CEO of the National Council of Nonprofits in Washington, D.C., whose state association and national nonprofit members are active on tax and other nonprofit policy issues in the states.

WHY TAKE AWAY AMERICA'S INCENTIVE TO GIVE? | COMMENTARY

July 19, 2013
By Susan N. Dreyfus

As lawmakers take on the gargantuan task of reforming our tax code, teams of lobbyists have already begun to line up to defend tax credits and exemptions that support special interests. There is one group of Americans, however, who do not have access to lobbyists and lawyers. They are the 1 in 5 American children who currently live below the poverty line. And a vital source of support for them may be in serious jeopardy.

In recent reports from the Senate Finance Committee and the Joint Committee on Taxation, policymakers outlined several proposals for reforming the popular charitable-giving tax exemption, which has been a part of the U.S. tax code since 1917. Among them were proposals to cap itemized deductions, convert the charitable deduction into a tax credit and impose a threshold for charitable contributions.

All of these proposals share one thing in common. They all could lead to significant reductions in charitable giving to nonprofit human-serving organizations that provide vital services and support for low-income families at a time when the need is significant and our opportunity to help them succeed is crucial.

According to research from the Urban-Brookings Tax Policy Center, President Barack Obama’s budget proposal on charitable deductions could result in as much as $9 billion in lost charitable donations.

That is why the Alliance for Children and Families, composed of hundreds of organizations in a network that serves 4.6 million individuals annually, has joined with other nonprofit organizations to speak out. Along with 60 nonprofits, foundations and charitable organizations, including the American Red Cross, the Giving USA Foundation, United Way Worldwide and Volunteers of America, we are encouraging Americans to join us in urging lawmakers and the federal government to protect the charitable-giving deduction.

Collectively, organizations that represent human services receive a mere 2 percent of annual charitable giving, which will have little impact on the federal government’s need to increase tax revenue. The loss of those charitable dollars, however, will have a disproportionate impact on the low-income families and communities we serve, particularly at a time when government-funded supports for vulnerable populations have significantly diminished and continue to decline.

In fact, a recent report from The Philanthropic Collaborative found that for every dollar donated via the charitable deduction, communities see $3 in benefits through increased jobs, higher wages, gross domestic product and tax revenues. And that doesn’t take into account the increased revenue from families who are able to move out of poverty with the support of human services, thus reducing their reliance on welfare and other government subsidy programs.

With dwindling government support for social services, organizations like ours are helping to fill the gap, engaging volunteers and communities in providing important resources for families in jeopardy.

Grounded in thousands of communities across the nation, the Alliance network does more than provide programs and services — it engages people where they live and work and builds the capacity of communities to lift people out of poverty and produce transformative changes that help create healthier
families and neighborhoods. We give families a hand up, not a hand out, and make them partners in their own success, be it achieving improved physical and mental health, better education levels or employment outcomes that allow them to live their lives with independence. Lawmakers’ increased attention on reigning in spending and getting our fiscal house in order is both laudable and necessary. However, during government contraction and tough economic times for families, we should be making it easier, not harder, for Americans to help their neighbors.

America has always rallied together when times are tough, whether in the face of economic difficulties, natural disasters or terrorism — and the U.S. government is a critical support for such efforts. Let’s not change that now by unraveling this vital tax incentive, which plays such an important role in supporting the crucial work of the nonprofit human services sector.

Susan N. Dreyfus is the president and CEO of the Alliance for Children and Families and Families International. She is the former secretary of the Washington State Department of Social and Health Services.

THE HEAT IS ON: TAMPER WITH THE CHARITABLE DEDUCTION AND COMMUNITIES, NEEDY LOSE

June 26, 2013
By Rev. Larry Snyder

Nonprofit organizations that depend on the generosity of donors are currently facing an urgent threat as Congress considers proposals that will upend the charitable tax deduction.

The Senate Finance and House Ways and Means committees have presented tax reform options to modify the charitable deduction as they consider overhauling America’s tax system. The Charitable Giving Coalition, a group of more than 60 diverse nonprofits, foundations and other charitable organizations serving communities across the nation, is working to ensure there is a clear understanding of how tampering with the charitable deduction could impact giving and hurt those who need help the most.

According to a new report issued by Giving USA, those who itemized their charitable contributions made up 81 percent of the total estimate (nearly $229 billion) for giving by individuals in 2012. If lawmakers reduce the value of the deduction, other research shows that billions in donations would be lost each year and vital services and jobs could be cut or eliminated.

Consider the millions who depend on a network of highly effective, compassionate organizations across the country that provide jobs, economic development, food, shelter and more.

For instance, on an annual basis, Catholic Charities USA’s network of local agencies across the country raises more than $679 million of contributed income. In fact, many rely on individual donors for more than half of their contributed income to provide funding to:

- Meet the needs of the more than 10 million people that come to their doors for help and hope, regardless of race or religious background.
- Employ nearly 66,000 and engage more than 311,000 volunteers annually.

In addition, each year, crisis shelters and rehabilitation centers run by members of the Association of Gospel Rescue Missions use private donations to provide:

- 50 million meals.
- 25 million nights of lodging.
- 30 million articles of clothing.
- 20,000 graduates from addiction recovery programs.

The Salvation Army also relies on the generosity of Americans to provide food, disaster relief, assistance for the disabled and support for disadvantaged children, the elderly and the homeless. The organization delivers assistance to:

- 30 million Americans in 5,000 communities with its 70,000 officers and employees and 3.3 million volunteers.

Nearly 60 percent of the $2.8 billion in donations received by The Salvation Army in the United States in 2011 came from individual donors. Some Salvation Army units receive more than 75 percent of their funding from individual donors.

Throughout America, some 1,200 United Way chapters:

- Provide critical services for up to 52 million people.
- Employ more than 9,300 people and help mobilize 2.87 million volunteers each year.
Conservative estimates indicate that limiting the charitable tax deduction could reduce giving by a minimum of 2.5 percent for United Way. That translates to $104 million, or 1.3 million fewer times that United Way could provide job training for an unemployed worker, home care for an elderly citizen, supportive housing for a single mother or a mentor/tutor for an at-risk youth.

Since the recession started, Jewish United Fund agencies experienced a 368 percent increase in demand for community support that served:

- More than 16,000 households with $13.7 million in emergency cash to pay for food, housing, healthcare and other critical needs.

Museums throughout America are sources of inspiration, jobs and economic activity:

- More than 52 million visitors are exposed to masterpieces, marvels and modern works and ideas each year.
- $2.4 billion in operating expenses for nearly 200 Association of Art Museum Directors (AAMD) member organizations stimulate economies and sustain jobs.
- More than one-third ($840 million) of the operating expenses of the AAMD’s membership network are covered by tax-deductible gifts. That’s more than the combined operating expenses of 70 AAMD member museums in the following states: California, Florida, Georgia, Illinois, Ohio, Pennsylvania and Texas.

These vital sources of jobs, services and support depend on donations spurred by the charitable tax deduction. If lawmakers tamper with it, nonprofits lose their ability to provide food and shelter for the most vulnerable, support education and better health, strengthen communities, solve problems and more.

Let’s be clear, the nonprofit sector’s role in our communities is not a loophole for the rich. It is a lifeline for those who need it most. At a time when the need for crucial services is on the rise, we should be working to find ways to encourage more giving, not less.

http://philanthropyjournal.blogspot.com/2013/06/the-heat-is-on-tamper-with-charitable.html
PROTECT CHARITABLE DEDUCTIONS FOR STRONGER COMMUNITIES

June 18, 2013
By Jen Klaassens

Congress is threatening to eliminate the charitable deduction as we know it — at the expense of millions of people in need. Specifically, lawmakers on both sides of the aisle are talking about imposing a cap or limit on the value of the charitable tax deduction as part of a bigger effort to raise additional revenue and/or “simplify” the tax code.

The charitable deduction is a unique element of the federal tax code that encourages Americans to selflessly invest in their communities. Capping or limiting the deduction is not the solution to current budget concerns.

Philanthropy spurs innovation, aids the most vulnerable, provides relief in crises, supports education and health, advances cures and scientific breakthroughs, enhances the arts, and makes investments that fuel economic growth. For every $1 a donor receives in tax relief, communities garner as much as $3 in benefits. It is highly unlikely government could find a more effective way to leverage private investment in vital community services.

The charitable deduction works. It encourages Americans to give a portion of their income to charitable causes without getting anything back, benefiting communities across the country as well as the larger economy. In many cases, donors also experience a sense of well-being from helping. Limiting or capping the deduction will reduce charitable giving, which will hurt Americans most in need. Nonprofits already struggling to balance increased demands for services with reduced income need more support, not less.

The Wasi Foundation, part of the Foundations on the Hill Florida delegation, is actively reaching out to members of Congress and encouraging them to preserve the charitable deduction so as to ensure a thriving charitable sector that has adequate resources to address needs in our communities and invest in the mounting challenges confronting society.

Foundations on the Hill consist of thousands of grantmaking foundations that have come together around a single message: there is an inextricable link between thriving communities and charitable giving.

Here are a few statistics: nonprofit organizations put $1.1 trillion into the economy every year in the form of human services; 1 in 10 Americans work for a nonprofit, and the sector accounts for 13.7 million jobs; and a significant majority of Americans (67 percent) are opposed to capping or limiting the charitable deductions, while 62 percent say they would likely reduce their charitable giving by a significant amount (25 percent or more) if the deduction is capped or limited.

The message is clear: Americans want to protect the charitable deduction. We urge Congress to maintain the deduction in its current form and protect the critical role philanthropy plays in strengthening our economy and communities.

http://pndblog.typepad.com/pndblog/2013/06/protect-charitable-deductions-for-stronger-communities.html
THE HILL

TAMPER WITH CHARITABLE DEDUCTION AND COMMUNITIES LOSE

March 27, 2013
By John Ashmen

The Senate’s passage of a budget that calls for limits or caps to itemized tax deductions — including the charitable tax deduction — seems to confirm a growing concern among many nonprofit leaders: Elected officials really don’t understand how vital the century-old incentive for charitable contributions is for the survival of nonprofit organizations.

Changing the existing provision in any way is tantamount to taking vital funds away from the private sector and redirecting them to federal coffers. This would have profound consequences for local communities and people in need.

Combine that with the fact that demands for services are already at an all-time high, and then throw in the potential rise in basic service needs brought on by sequestration, and America’s poorest citizens will be dealt a serious blow.

The Association of Gospel Rescue Missions (AGRM), North America’s oldest and largest network of independent, faith-based crisis shelters and rehabilitation centers, is just one example of the thousands of nonprofits and community-level efforts that would be impacted. Every year, AGRM-member missions feed about 50 million meals, provide approximately 25 million nights of lodging, distribute more than 30 million articles of clothing, and graduate some 20 thousand people from addiction recovery programs.

Rescue missions don’t just work with those on the bottom rung of the economic ladder; they work with those who aren’t even on the ladder — those who have been ravaged by abuse, imprisoned by addiction, or set adrift because of mental illness. These are the people who traverse the sidewalks like zombies on patrol in neighborhoods most folks avoid. If the U.S. were India, we would be talking about the “untouchables.”

And here is a critical piece of information: Almost all of the income for North America’s rescue missions comes from private donation.

Should rescue missions be forced to drastically cut back their services or close altogether because tax-law changes erode or wash away individual contributions, the government would also lose. That’s because everything rescue missions do — feeding, sheltering, rehabilitating, counseling, life-skills training, job training, rehousing — would end up in the government’s lap. And with its black-hole debt, the government certainly can’t take this on. It doesn’t know how — and frankly shouldn’t attempt — to handle relational and spiritual poverty, which are keys to unlocking the prison doors of destitution for so many of our citizens.

As one member of Congress recently confided: “We can’t do what you do — and we shouldn’t try. We would totally mess it up. If the government tried to take over what rescue missions do, in no time it would be twice as expensive and half as effective.”

Lawmakers seem to have a unique knack for taking apart things that are working just fine to use the pieces to fix other things they’ve broken. I urge Congress to take former budget director Burt Lance’s advice: “If it ain’t broke, don’t fix it.” The century-old incentive for charitable contributions is something that isn’t broken.

There is also a spiritual component to this whole issue that lawmakers would do well to understand. In the New Testament, Paul told Timothy, “teach those who are rich in this world to use their money to do good. They should be rich in good works and generous to those in need, always being ready to share with others. By doing this they will store up their treasure as a good foundation for the future so that they may
experience true life.”

There are millions of Americans who are wonderful stewards of their money and God is blessing them. They are not the selfish rich who need to be vilified; they are kind people who love their neighbors as themselves — a partial quote from Jesus about which President Obama reminded us at the last National Prayer Breakfast. The more these people get, the more they give. The more they give, the more our communities benefit.

Sure, most of them deduct their contributions, but for every $1 a donor deducts, their “neighbors” receive as much as $3 of benefit. I, for one, thank God for those with means who use what has been entrusted to them to bless the poor. Congress needs to remember that it cannot legislate the poor into prosperity by legislating the wealthy out of prosperity. And, Congress shouldn’t get between donors and their religious convictions.

There are thousands of very bright people — from economists to corporate executives to community leaders — who are saying that service agencies like the Association of Gospel Rescue Missions will almost certainly be negatively affected if the government tampers with the charitable deduction. For the sake of our most vulnerable citizens — our poor and powerless invisible neighbors—lawmakers need to believe what’s being said.

Ashmen is president of the Association of Gospel Rescue Missions.

EXECS TESTIFY IN HARMONY REGARDING TAX INCENTIVES

February 14, 2013
By Mark Hrywna

Extending the charitable deduction to all taxpayers – not just itemizers – and allowing donations until April 15 to be counted in the previous tax year were among the proposals by nonprofits to incentive charitable giving even more.

Nonprofit leaders raced to Capitol Hill in Washington, D.C., today to provide input on potential tax reform and remind legislators to keep the charitable deduction intact as the House Ways and Means Committee began discussion on comprehensive tax reform.

More than 40 representatives of nonprofits – nine panels of witnesses — were scheduled to testify. The fourth panel of witnesses had begun testimony nearly four hours after the hearing got under way at 9:45 a.m.

House Ways and Means Committee Chairman Dave Camp (R-Mich.) said the committee granted “all timely requests to testify in person” and over the last several months has heard different ways that the tax code might be changed to affect the nonprofit sector. Some of those include limiting the tax rate against which contributions may be deducted, a dollar cap on itemized deductions, a floor below which contributions may not be deducted, and the replacement of the deduction with a tax credit available, regardless of whether a taxpayer itemizes.

United Way Worldwide President & CEO Brian Gallagher urged the committee to preserve the charitable deduction for all donors, and “in light of the apparently inevitable cuts to government programs and the proven value of the nonprofit sector, encourage the committee to consider ways to further incentivize private charitable giving.”

Conservative estimates on the impact of a 28-percent cap on the charitable deduction indicate that donations to United Ways would be reduced by more than $100 million annually, said Gallagher. “That would be like eliminating two of the three biggest United Ways testifying today (Philadelphia, Washington, D.C. and Cleveland), or eliminating all of the remaining 10 United Ways scheduled to testify,” he said. A dozen local United Way CEOs were scheduled to testify throughout the day.

“Don’t be fooled into thinking that limiting the deduction will only impact wealthy taxpayers,” Gallagher said. “If the deduction is reduced, expect donors to withhold the difference necessary to cover the tax from their donations,” he said. Almost a quarter of high-net worth individuals in a recent survey indicated that receiving tax benefits for charitable contributions was a “major” motivation for giving.

A variety of proposals to limit the deduction have been circulated the last few years, each has two common elements: limiting the value of the deduction for some group of donors, and reducing giving to charity “to the detriment of individuals and families who rely on our help.”

“I don’t think we can overstate the simplicity and compelling nature of tying the charitable deduction to an individual’s tax rate is the envy of the world. Its simple, compelling and it works,” said Gallagher.

Tax incentives matter, not whether donors give, but how much they give, according to Eugene R. Tempel, Ph.D., the founding dean of the Indiana University School of Philanthropy. The two biggest drivers of
increased giving year to year – going back to the 1960s and through various tax schemes – are the rise of household income and the rise of the S&P 500.

The cost of giving matters to individuals, said Tempel, pointing to 1987 when donors moved their giving from 1986 to 1987 to take advantage of a higher giving rate. Donors accelerated giving at the end of last year in anticipation of gifts costing more, said Gallagher, while others reduced annual giving in anticipation of higher costs.

“Anything you can do to shift the cost of a donation from the donor to the beneficiary is helpful,” said Tempel.

During the second panel, Independent Sector CEO Diana Aviv said the most active proposal to reduce the value of the charitable deduction has been the president’s effort to limit itemized deductions for taxpayers earning more than $200,000 annually at 28 percent. “When top marginal rates were 35 percent, experts predicted this proposal would cause charitable giving to decline by anywhere between $1.7 billion and $7 billion per year, and with top marginal rates now at 39.6 percent, capping the deduction at 28 percent would likely cause an even more drastic decline in giving,” she said.

Aviv suggested permanent charitable tax extenders, including the IRA charitable rollover, enhanced deduction for contributions of food inventory, and special rules for the contributions of capital gain real property for conservation purposes.

Eugene Steuerle, the Richard B. Fisher chair and Institute Fellow at the Urban Institute, recommended reforming subsidies that tend to be ineffective and invited abuse, such as the deduction for household goods and clothing.

THE CHARITABLE DEDUCTION: WHO REALLY BENEFITS?

December 14, 2012
By Kevin K.Murphy

Living inside the Washington beltway must be a profoundly disorienting experience. Maybe there’s something in the Potomac River, maybe it’s just too much time in the world’s most self-absorbed echo chamber, or maybe it’s just the pressure of too much traffic.Honestly, I don’t know.

But there must be something that explains the recent Washington Post editorial by Fred Hiatt that concludes that the federal income tax deduction for charitable contributions “overwhelmingly... benefits the wealthy.” Mr. Hiatt goes on to opine that “the rest of the country has to make up the gap.”

Huh? Only in the current weird climate of our nation’s capital could anyone conclude that the benefits of the charitable deduction accrue to the people who donate money to charitable causes. And only in D.C. could a newspaper imagine that it’s news that the people who give the money are—sit tight now—people who have money to give.

Since it doesn’t seem obvious to the Post, and growing numbers of others hold the misconception that the charitable deduction only benefits the wealthy, perhaps a little clarity from out here where most of the nation lives would help.

People who donate money to the March of Dimes are encouraged to do so by the charitable income tax deduction (which has existed since 1917). The March of Dimes has had some pretty big success with that money. It funded the research that lead to the Salk vaccine that prevents polio. In 1954, there were about 38,500 new cases of polio reported in the United States. Since 1999, there’s been one case reported. The World Health Organization reports a global drop in new cases of 99 percent since 1988. I’m pretty sure the beneficiaries of the charitable gifts made to the March of Dimes are all the people who didn’t contract polio this year.

There’s a little town north of where I live called Bethel. Sitting at the base of the Appalachian Mountain range, Bethel’s population would be described as somewhere in the working-class to working-poor range. More than 40 percent of the children who go to the elementary school there qualify for free or reduced lunches. There’s not much in Bethel, but they do have a library. It’s only about 1,500 square feet, but it’s packed with children after school and it circulates about 150,000 books a year. For many in the community, it’s also the only place to access the Internet. Last year, the people in Bethel raised more than $40,000 to keep their library open, and I’ll bet some of those donors took the charitable deduction. But the beneficiaries, it seems to me, are the children whose reading levels improved and the people who were able to find critical information about jobs, health care and perhaps even read The Washington Post online.

This list could go on and on. Outside of the Washington D.C. orbit, every town in America, in fact, every American can tell you who benefits from the charitable deduction—or perhaps when they themselves benefited from it.

And anyone with, as my late mother would have said, “the common sense that God gave a goat” can understand that the charitable deduction doesn’t “benefit” the giver. If I have $100 and I keep it, I have $100. If I give that $100 to the local food bank and, if I were entitled to the 35 percent deduction that Mr. Hiatt finds so offensive, I’d still be out $65. The charitable deduction would reduce my cost of giving, but it sure doesn’t make money for me. What that $100 does accomplish, though, is to fill backpacks with...
food for some of the many children in Reading, Pa., who live in poverty. Those children take the backpacks home each Friday after school, ensuring they have something to eat over the weekend until they come back to school on Monday.

Mr. Hiatt concludes his editorial with a list of some of the choices that Congress will have to make and the comment “You need to keep all of them in mind as you decide how much you want to pay to help renovate that hospital wing with the billionaire’s name above the door.” Out here in Reading, very far from the beltway, we’re all very grateful to Terry McGlinn and his family for donating the money for the McGlinn Family Regional Cancer Center at Reading Hospital. The center is a specially designed facility where all of the specialists who treat cancer are located together, making it easier to create and implement a holistic plan for patient care. Every year, the center treats about 1,600 cancer patients. One year that group included my wife. If you asked my sons who the beneficiaries of the McGlinn’s generosity were, they’ll say “we are because we still have Mommy.”

That’s how we understand the charitable deduction out here, a long way from Washington. Perhaps the folks from the Post should come visit.

http://www.huffingtonpost.com/kevin-k-murphy/the-charitable-deduction-benefits_b_2294053.html
LET’S BE HONEST ABOUT WHAT THE FISCAL CLIFF MEANS FOR NONPROFITS

By Mike King
December 2, 2012

Let’s be honest about the “fiscal cliff” and the faulty logic that claims that charitable tax deduction is a benefit for the wealthy that won’t be missed. Political leaders touting this bromide are justifying proposals to redirect these dollars away from important work happening in communities nationwide.

Congress is seriously considering caps or cuts to the charitable deduction. The potential result—millions served by America’s nonprofit sector will be hit with the double whammy of government cutbacks and decline in the support of organizations like Volunteers of America, American Red Cross, the Salvation Army, the Boys & Girls Clubs and the American Cancer Society.

Quietly and humbly carrying out extraordinary missions every day, it may be easy to overlook the nonprofit sector as a growth industry and vital part of America’s social and economic fabric. Limiting or doing away with the charitable deduction at a time when people are still reeling from the recession and budget cutbacks simply makes no sense. It won’t help the federal government avoid the fiscal cliff. It will simply shift it to the nonprofit sector and communities that depend on it.

Hundreds of leaders serving our communities will travel to our nation’s capital December 4-5 to make sure elected officials understand what is at stake. These leaders of the Charitable Giving Coalition include more than 50 of America’s most active charities, nonprofits and other organizations. We are speaking out to protect a 100-year American philanthropic tradition of that encourages giving back and strengthening communities. We’re also urging anyone committed to protecting the charitable deduction and the communities served by charitable giving to make sure their voices are heard.

We aim to pierce the “inside-the-beltway” bubble with a reality check from thousands of communities outside the beltway about what is at stake—crucial programs and services, from food pantries and medical research to youth programs and medical research to youth programs and seed grants to support new businesses and job creation.

Data suggests that for every dollar deducted through this incentive, communities receives $3 of benefit. No other tax provision generates the kind of positive impact. But, if donors have less incentive to give, donations decline. The result is the loss of billions of dollars to support worthy causes, the jobs they provide, and the millions they serve.

According to Giving USA individual contributions to charitable causes in America account for 73 percent of all giving. These donations help achieve breakthroughs and benefits that put our country on a path of continuous improvement. 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.

The message is clear. Americans want to protect the charitable deduction.

And, consider this: Nonprofits generate $1.1 trillion every year through human services and provide 13.5 million jobs. They account for 5.4 percent of the GDP and 9 percent of all wages paid. The diverse nonprofit sector supports efforts to, for example, develop technology and medications to improve our health—like insulin, the polio vaccine, the MRI, electron microscope and pacemaker, provide educational
opportunities and access to health services and ensure housing and shelter for the most vulnerable. Other nonprofits enhance the arts and cultural activities, conserve wetlands and protect the environment, protect civil and voting rights, and preserve historic treasures.

Now is not the time for Congress to dismantle a tradition that supports America’s nonprofits and the people and causes they serve. No doubt our nation faces a fiscal crisis that must be addressed, but Congress should stop seeing the charitable deduction as an easy mark and acknowledge the fiscal cliff they will create for America’s most vulnerable at a time they can least afford it. Giving strengthens our communities. Urge your members of Congress to preserve the charitable deduction.

Mike King is National President & CEO of Volunteers of America

http://www.good.is/posts/let-s-be-honest-about-what-the-fiscal-cliff-means-for-nonprofits
DON'T ELIMINATE THE CHARITABLE TAX DEDUCTION

November 26, 2012
By Larry Snyder, Brian Gallagher

Brian Gallagher is president and CEO of United Way Worldwide. Father Larry Snyder is president of Catholic Charities USA.

The season of giving is a time to focus on what we hold dear. Hurricane Sandy certainly demonstrated that what we take for granted is what we miss most when it is taken from us. As leaders of nonprofits providing a broad cross-section of services to our communities, we worry this might be the case with the charitable tax deduction.

President Obama and Congress are considering caps or cuts to the 100-year-old tax benefit for those who give to charities and redirecting these dollars to federal coffers. Doing away with the charitable deduction at a time when people are still reeling from the recession and facing the consequences of government cutbacks is bad timing and bad logic. In short, fewer charitable dollars and government cutbacks are a double hit to those who need help the most.

On December 4 and 5, hundreds of leaders serving our communities will travel to our nation’s capital to make sure elected officials understand what is at stake. These leaders represent the Charitable Giving Coalition, which includes more than 50 of America’s most active charities, nonprofits and other organizations, including United Way, Catholic Charities USA, American Red Cross, American Institute for Cancer Research, and more.

We hope 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 how important the nonprofit sector is to our country. For example, relief charities responding to Hurricane Sandy-ravaged communities raised nearly $100 million, according to the Chronicle of Philanthropy. United Way of New York City and affiliates throughout the East set up a Hurricane Sandy Relief Fund (#sandyfund) to support affected communities through food, shelter, clothing, cleanup, and rebuilding.

Catholic Charities USA also set up a Hurricane Sandy fund. Since Katrina, Catholic Charities USA and its nationwide network helped thousands of families recover and rebuild their lives after disasters.

This independent, nonprofit infrastructure and long-standing experience in meeting community needs is invaluable. Last year, Americans gave nearly $300 billion to support crucial programs and services, from food pantries and medical research to youth programs and seed grants to start new businesses.

Elected leaders may believe the charitable deduction is an easy mark without a large contingent of lobbyists. But the charitable deduction is different than other itemized deductions. It encourages giving, rewards a selfless act, and helps raise more for charities than would have otherwise been possible. Data suggests that for every dollar a donor gets in tax relief, the public typically receives $3 of benefit. No other tax provision generates that kind of positive public impact.

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 development of medications like insulin and the polio vaccine; educational opportunities and access to better healthcare; technologies such as the MRI, electron microscope and pacemaker; housing and shelter for the need; access to cultural activities...
According to Giving USA, individual contributions to charitable causes in America account for 73 percent of all giving. These donations help achieve breakthroughs and benefits that put our country on a path of continuous improvement. Research shows that donors trust the nonprofit sector most when it comes to providing these crucial community services.

Now is not the time for Congress to dismantle this century-old incentive that supports America’s nonprofits. According to the Nonprofit Finance Fund, 85 percent of nonprofits experienced higher demand for their services in 2011. That number likely increased in 2012. The nation’s budget crisis is undeniable, but that is precisely why nonprofits need more support, not less.

DEFEND THE CHARITABLE TAX DEDUCTION

September 27, 2012
By Kevin K. Murphy

America’s charities face a brewing crisis with the upcoming comprehensive tax reform debate that is almost certain to envelop our nation. As Congress searches for ways to close the growing national debt, the charitable tax deduction is included in the “everything” often mentioned in the phrase “everything is on the table.”

Many political observers believe that the Simpson Bowles report will serve as the framework for a “grand bargain” that both modifies the tax code and reduces the deficit. Under Simpson Bowles the traditional charitable tax deduction would be eliminated in favor of a 12 percent tax credit. The president on the other hand has consistently proposed capping the charitable deduction at the 28 percent rate for wealthy individuals — those who provide the largest gifts. Governor Romney’s plan makes no specific reference to the charitable deduction.

Any of these approaches have unknown consequences, but they all seem likely to reduce the incentives for charitable giving at a time when the charitable sector is being called on — often unreasonably — to perform more of what government used to do.

All kinds of scenarios seem possible. Among the scariest: New approaches that favor some types of giving over others. After all, some will surely argue that a gift to the local food bank deserves greater preference than a gift to a symphony. The independence of philanthropic giving is essential to its ability to serve, support and impact change. Ranking or prioritizing non profits is a dangerous trade off exercise.

The non-profit sector is doing work that is critically important to our communities. Last year, Americans gave almost $291 billion to support food pantries to feed the hungry, youth programs to keep kids in school, provide screenings to help people detect disease and hundreds of other causes.

It would be a huge mistake to begin tinkering with the charitable tax deduction. To a greater extent than any other public policy, the charitable deduction has provided an incentive for Americans to support social innovation and the effective delivery of social services. Reducing those incentives, and in effect shifting these resources to government control ought to be anathema to conservatives who believe that any program that can be shifted to private hands should be. Similarly, the left should believe that providing education, human services and healthcare to the needy isn’t one of the places we should be cutting. It’s hard to see who would think this was a good idea.

The effect of reducing the incentives for charitable giving simply forces an irrational shift of resources from one societal pocket (the nonprofit sector) to another (government) without any data to suggest that the latter is better prepared to deploy it.

The charitable deduction is fundamentally different from other deductions in the Revenue Code: It provides incentives for taxpayers to do something that benefits society rather than themselves. After all, if I deduct the interest on my home mortgage it makes it possible for me to buy a bigger home. Whether that has a logical public policy purpose or not, it’s clearly different from encouraging my recent contribution to Breast Cancer Support Services, an organization that helps people suffering from breast cancer (and where my wife volunteers as a board member).
Congress should take no action that reduces the incentives to support the critical work of the non-profit sector. While the challenges the nation faces with its budget crisis are undeniable, reducing the flow of funds from the charitable sector in favor of government makes no sense.

http://www.huffingtonpost.com/kevin-k-murphy/charitable-tax-deduction_b_1915977.html