

September 21, 2011

The Honorable Max Baucus
United States Senate
511 Hart Senate Office Building
Washington, DC 20510-2602

Dear Chairman Baucus,

As a coalition representing a broad cross-section of nonprofit organizations across the country, we urge you to protect the value of the charitable deduction by opposing efforts to reduce or cap the value of itemized deductions for charitable contributions as part of the President's American Jobs Act. Proposals to cap itemized deductions at 28 percent would have long-lasting negative consequences for the charitable organizations that millions of Americans rely on for vital programs and services.

The charitable deduction is different than other provisions in the tax code in that it encourages individuals to give away a portion of their income to those in need. During his speech introducing the American Jobs Act, President Obama said, we are "a nation with responsibilities to ourselves and with responsibilities with one another." This notion is the embodiment of American philanthropy. To limit the charitable deduction would be to limit our spirit of philanthropy in a time where the demand for charitable services is at its peak, and would adversely affect the less fortunate in our society in deep and direct ways.

The past few years have been incredibly challenging for our nation's charities. According to the Internal Revenue Service, charitable giving by American donors who itemize their tax returns dropped by about 20 percent from 2007 through 2009. Although the Giving USA Foundation and its research partner, the Center on Philanthropy at Indiana University, found that "giving by individuals rose an estimated 2.7 percent in 2010 (1.1 percent adjusted for inflation)," these modest gains will do little to offset the low levels of giving during previous years. In fact, it is estimated that it will take five to six years for giving to return to its pre-recession levels. And with questions surrounding the economy again, we cannot assume that charitable giving will continue to rise.

It is true that high-income earners are more sensitive to changes in tax incentives. Given this sensitivity, reducing the charitable deduction for higher income earners will negatively impact the amount these donors give to charitable organizations. And indeed higher income taxpayers account for the majority of individual giving. According to the recent CBO report on the tax treatment of charitable giving, tax filers who reported AGI of at least \$100,000 in 2008 were responsible for well over half (about 58 percent) of all charitable giving by taxpayers.

And yet in the face of such tough financial conditions, charities continue to do more with less. When the economy stagnates, charities bridge the gap by serving those in need and our communities as budgetary constraints hinder state and federal governments from providing similar services. These charity-provided services are critical, and reducing charitable giving does not just harm the nonprofit sector, it also hurts the lowest income brackets that rely heavily upon these services. Despite how the proposal looks on paper, wealthy Americans will not bear the brunt of a cap or reduction in the value of itemized deductions—America's poor will.

As charities struggle to meet increased demands for their services and raise additional funds, we need to encourage all individuals, regardless of income and wealth, to give more to charitable organizations. Therefore, now is not the time to diminish incentives to give. In fact, data suggests that for every dollar a donor gets in tax relief for his or her donation, the public typically gets three dollars of benefit. Reducing the value of the charitable deduction does the exact opposite and would fundamentally change a tax structure that has contributed to a cherished tradition of charitable giving that is unmatched in the world.

Again, we urge you to oppose efforts to reduce or cap the value of itemized deductions for charitable contributions. We look forward to working with you and your staff on this issue and on any other issues affecting the charitable sector.

Sincerely,



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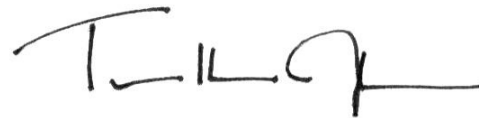
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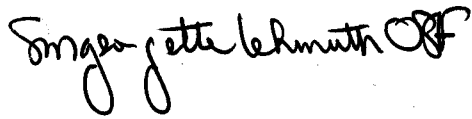
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cc: Members of the Joint Select Committee on Deficit Reduction