

Reducing charitable deduction is a bad idea

Philanthropy ■ Changes in the tax code would result to service reductions for neighbors in need.

By Nancy Jones and Tim McKinney
Special to the Star-Telegram

In looking for ways to reduce the federal deficit, some in both the administration and Congress are advocating reducing the tax deduction for charitable giving. Others have discussed eliminating the deduction completely.

We recognize that our nation continues to face tremendous challenges, including an obvious need to reduce the deficit. However, new limitations on the deductibility of charitable donations are effectively a tax on charities and other nonprofits and would lead to a significant reduction in services to many of our friends and neighbors.

Proposals to cap itemized deductions from 35 to 28 percent would have long-lasting negative consequences for the charitable organizations that millions of Americans rely on for vital programs and services including United Way of Tarrant County. Your United Way provides funding to important community issues related to education, financial stability and health and helps fund critically needed programs served by its 44 partner agencies.

Times have been challenging for our nation's nonprofits: social services, environmental groups, the arts, education etc. Charitable giving has only slightly recovered from the Great Recession — forcing charities and other nonprofits to do more with less. Charities and their services are needed most during stressful economic times. Charities help bridge the gap by serving those in need when budgetary constraints hinder state and federal governments from providing similar services. The proposal to cap the charitable deduction will have the greatest impact on those who count on these services to survive on a daily basis.

Community foundations such as the Community Foundation of North Texas are well-positioned to understand the impact of the charitable deduction. Community foundations work with donors to make grants that support a variety of programs and activities in our schools, charities, cultural institutions and houses of worship. Such grants accomplish immeasurable good nationwide, and their economic impact should not be ignored.

Last year, grants made through private and community foundations and United Ways supported more than 9.2 million jobs nationwide, and the latest data available indicate that the

nonprofit community, including most universities, cultural institutions, some hospitals, houses of worship, charities and other entities, directly provided 12.9 million jobs. In other words, the nonprofit sector is responsible for employing 1 of 10 American workers.

Philanthropy works best when providing financial support directly to the needs it identifies, not indirectly through payment of taxes. It is meant to meet the needs of the communities it serves through donations, gifts and grants, which would be reduced if a cap on deductions were imposed.

Thus, the charitable deduction is not only fair but also an efficient way for the government to spur investment in communities. When an individual in the highest tax bracket donates \$1,000 to a charity or a nonprofit, the government forgoes \$350 in tax revenue, but communities benefit from the entire \$1,000 gift.

The government is unlikely to find another vehicle that can leverage private spending for community services at a nearly 3-to-1 ratio.

As charities and nonprofits 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 and nonprofit organizations. Limiting the value of the charitable deduction would do the exact opposite and fundamentally change a tax structure that has contributed to a cherished tradition of charitable giving that is unmatched in the world.

Please join us as we encourage legislators to hold fast to the current law on charitable exemptions. If our goal is to both recognize the appropriate role of government and create an environment for philanthropy to grow in size and service, opposing a cap makes good sense.

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7-26-2011