

Statement of the  
**National Association of College and University Business Officers**  
to the  
House Committee on Ways and Means  
Tax Reform Working Group on  
Charitable/Exempt Organizations  
on  
*Preservation of Charitable Giving Incentives*

April 10, 2013

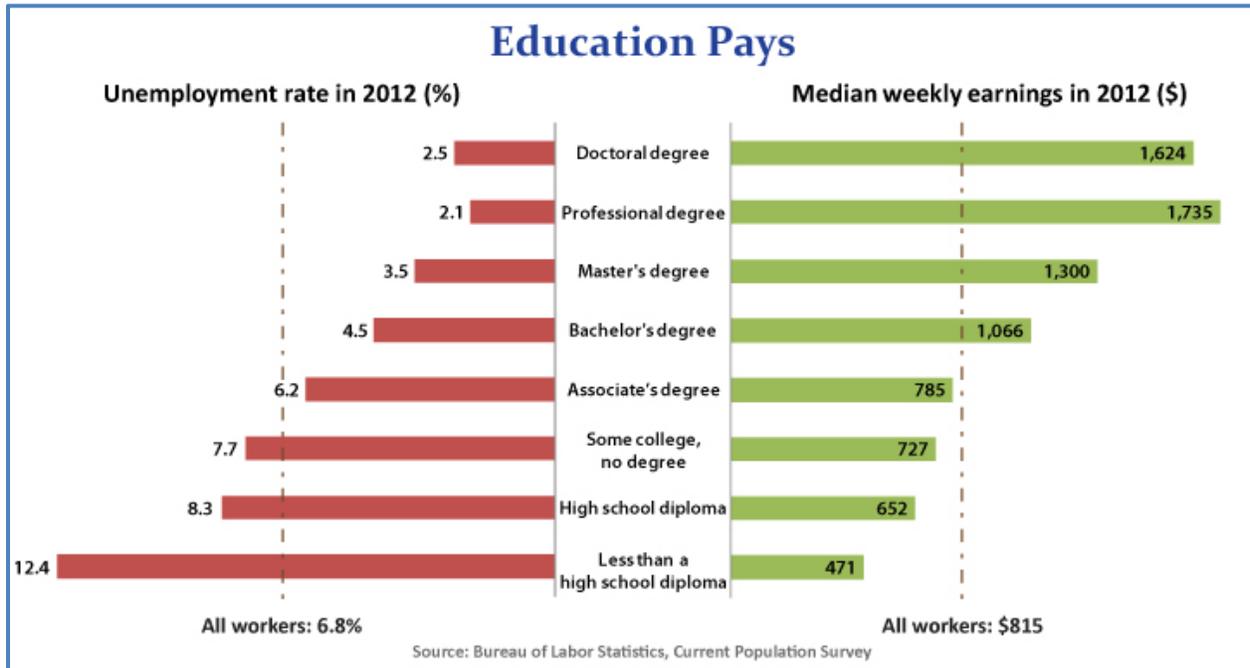


**National Association of College and University Business Officers**

*NACUBO's membership includes the chief business, financial and administrative officers at nearly 2,200 colleges and universities.*

## Education Benefits Individuals and Society

The teaching, research, and public service missions of colleges and universities provide society with an educated citizenry; a skilled, productive workforce; and new innovations and technologies to improve quality of life. They also strengthen our nation's security and fuel economic growth. The chart below illustrates the beneficial relationship earning a college degree has on unemployment.



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Source: Bureau of Labor Statistics, Current Population Survey.

Last Modified Date: January 28, 2013

### **About NACUBO**

NACUBO was established in 1962 to promote sound financial management in higher education and provides its members and others information and technical assistance in the field of higher education management and financial administration. NACUBO represents nonprofit and public institutions to policy makers and standard-setting agencies, providing comments and opinions on a wide range of issues. NACUBO advocates for fair and equitable treatment under federal laws and regulations, particularly on those requirements that address financial administration and management of colleges and universities.

The annual NACUBO-Commonfund Study of Endowments® is the most comprehensive analysis of investment management at the nation's institutions of higher learning. NACUBO also annually publishes the Student Financial Services Benchmarking Study and the Tuition Discounting Study, which measures tuition discounts and institutional grant awards at four-year private nonprofit colleges and universities.



## PRESERVE CHARITABLE GIVING INCENTIVES

- ***Studies of charitable giving indicate that tax deductions are an important factor leading donors to make gifts. We ask Congress not to impose barriers that may limit charitable giving.***

Since 1917, our tax laws have incorporated the policy that income voluntarily given to charitable organizations, and thus not available for personal consumption, should not be subject to tax. As a result, individuals who itemize their deductions on Schedule A are allowed to subtract from their income specific donations they have made to churches, schools, charities, hospitals, colleges, and other charitable organizations. Individuals who claim the standard deduction – a portion of which is meant to account for their charitable giving— are similarly not being taxed on their donations, albeit in a less precise manner.

U.S. tax policy should continue to encourage individuals to give; the charitable deduction does exactly that. As governments and nonprofit organizations struggle to meet increased demands for services, it is even more critical that citizens are encouraged to give to organizations that provide wide-ranging services that meet a variety and growing number of societal needs. Reducing the value of the charitable deduction would have the opposite effect.

As part of efforts to address deficit spending, some have proposed limiting the deductions for charitable gifts made by wealthier individuals. However, these taxpayers account for the majority of individual giving. According to a 2011 Congressional Budget Office report on the tax treatment of charitable giving, tax filers who reported an adjusted gross income of at least \$100,000 in 2008 were responsible for well over half (about 58 percent) of all charitable giving by taxpayers. Charities and other nonprofit organizations, as well as colleges and universities, would bear the brunt of a cap on or reduction in the charitable deduction.

- ***NACUBO also asks Congress to permanently extend the IRA Charitable Rollover.***

The IRA Charitable Rollover allows individuals 70½ and older to donate up to \$100,000 from their IRAs and Roth IRAs to public charities, including colleges and universities, without having to count the distributions as taxable income. The IRA Charitable Rollover has increased giving to all public charities, including colleges and universities. The IRA Rollover expires on December 31, 2013, at a time when colleges and universities are depending more and more on private support.

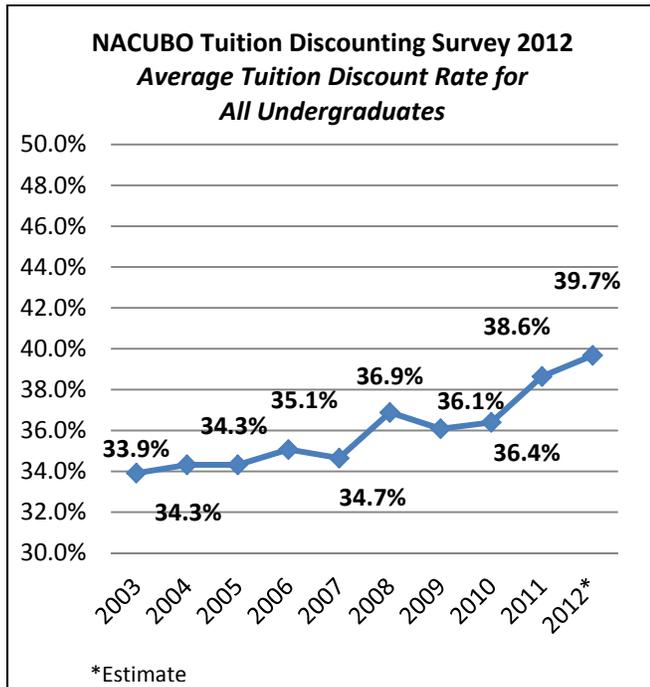
***Poll data show that most voters are familiar with and favorable toward the charitable deduction regardless of party affiliation.***

- ***78 percent of all voters are favorable***
  - ***79 percent of Democrats***
  - ***77 percent of Republicans***
  - ***77 percent of Independents***
- ***Fully two in three (68 percent) of voters who are familiar “strongly favor” the charitable giving tax deduction.***

*2012 Penn Schoen Berland  
National Post-Election Study*



## PRESERVE CHARITABLE GIVING INCENTIVES



Increased assistance to more students is only made possible by drawing on additional revenue from other sources, including endowments, which are built from donor gifts. Gifts from alumni and other donors and endowment earnings are used to fund scholarships and grants to students as well as faculty salaries, research, libraries, and more at institutions of higher education.

NACUBO's annual Tuition Discounting Survey found that private colleges and universities have, as in recent years, again raised their discount rates in order to help more students whose families were facing financial constraints caused by the economic slowdown. At these institutions, institutionally-provided aid (college and university grants, scholarships, and fellowships, i.e. tuition discounts) is funded by tuition revenue, endowment earnings, and gifts from alumni or other donors. The rate in the chart above shows tuition discounts provided to students in the form of scholarships and grants.

### NACUBO-Commonfund Endowment Study Results for FY12 (July 1, 2011 to June 30, 2012)

For FY12, NACUBO surveyed 831 U.S. institutions and foundations with endowment market assets.

- In FY12, endowments returned an average of -0.3 percent.
- Average endowment size: \$490.9 million
- Median endowment size: \$90 million
- The average effective spending rate of endowments valued over \$500 million was 4.7 percent.

2012 Endowment Study Population	
<b>Total Assets</b>	
Over \$1 Billion	68
\$501 Million - \$1 Billion	71
\$101-500 Million	250
\$51-100 Million	164
\$25-50 Million	128
Under \$25 Million	150
<b>Total Institutions</b>	<b>831</b>

Most institutions determine their annual endowment spending by applying their policy spending rate (typically 4 to 5 percent) to a three-year moving average of endowment market values.

**In FY12, average dollars spent per institution grew by about 7 percent.**

Decreases in gifts and donations have been a cause for concern in the aftermath of the economic crisis. In FY12, 39 percent of institutions reported that they received less in gifts than in the previous year, while 41 percent reported an increase in gifts.