July 17, 2017

The Honorable Orrin Hatch  
Chairman  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200  
taxreform2017@finance.senate.gov

Re: Stakeholder Comments on Comprehensive Tax Reform

Dear Chairman Hatch:

In response to your June 16th call for stakeholder feedback on Comprehensive Tax Reform, the Charitable Giving Coalition (CGC) respectfully offers the following information for consideration by you and your colleagues as the Senate tackles the task of simplifying and improving our tax code.

The Charitable Giving Coalition (CGC) is an engaged stakeholder in tax reform. For nearly a decade, CGC has served as a unique, unified voice representing a broad cross-section of nonprofit organizations from across the country. It is supported by more than 175 organizations, including individual nonprofit organizations, large national and international charities, faith-based organizations and several associations and umbrella groups that represent the charitable sector. CGC is specifically dedicated to preserving a charitable giving incentive that ensures that our nation’s charities receive the funds necessary to fulfill their essential philanthropic missions and serve their communities.

Our comments draw your attention to an unintended consequence of current individual tax reform proposals and offer a constructive solution for declines in charitable giving that the proposals would otherwise inevitably cause. We will also specifically address two of the priorities you raised in your call for comments: (1) providing tax relief to the middle-class and (2) removing disincentives and impediments for investment in communities across every state in our country.
Unintended Consequences – Giving Declines Under Current Proposals

One of the central reforms in several current proposals is to increase the Standard Deduction for individual taxpayers, dramatically reducing the number of itemizers. CGC does not oppose this proposal.

However, the correlation between taxpayers who itemize and high levels of charitable giving is very strong. The CGC is concerned about unintended consequences for charities if the number of taxpayers who itemize – and take a charitable deduction – is reduced. According to Giving USA, in 2016 approximately 82 percent of total individual giving was made by itemizers. For 2016, charitable donors who itemized their taxes accounted for more than $231.38 billion of contributions; total individual giving was $282.86 billion. Charitable giving by taxpayers who itemize represents 72.5 percent of overall charitable giving, which includes individuals, foundations, bequests and corporations.¹

Our concerns are supported by a recent study commissioned by Independent Sector and conducted by Indiana University Lilly Family School of Philanthropy. The findings, released in May, confirmed what many leaders in the nonprofit sector had suspected: reducing the number of itemizers by increasing the standard deduction will, by most calculations, reduce itemizers from 33.3% of all taxpayers to only 5%. That translates to nearly 30 million taxpayers who will no longer be able to leverage the charitable deduction.²

Current tax reform proposals will reduce the scope and value of the deduction. The same study found that the current tax reform proposals would significantly decrease charitable giving by as much as $13.1 billion (4.6 percent).³ Without question, this $13.1 billion decline in charitable giving will cause a crisis for America’s communities as the resources for services provided by charities decline. Thousands of charities, millions of constituents and countless communities will be affected.

Dramatically narrowing the charitable deduction to a small group of taxpayers is also bad tax policy. Roger Colvinvaux, professor of law at the Catholic University of America Columbus School of Law and former legislation counsel for the Joint Committee on Taxation (2001 to 2008), recently addressed the issue, stating:

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The Joint Committee on Taxation estimates that for the 2017 tax year approximately 48.7 million taxpayers will elect to itemize deductions. OVERVIEW OF THE FEDERAL TAX SYSTEM AND POLICY CONSIDERATIONS RELATED TO TAX REFORM, prepared testimony for a Public Hearing Before the Senate Committee on Finance on July 18, 2017, prepared by the Staff of the Joint Committee on Taxation, p. 4.


³ Ibid
. . . broad-based participation in the giving incentive is central to its integrity and provides a base for a dynamic and worthy charitable sector. A charitable deduction for only a handful of taxpayers is fatally flawed and would weaken the law of section 501(c)(3), with dreadful results for the nonprofit sector.  

**Our Solution – Charitable Giving Incentive for All Taxpayers**

The CGC asks you and your Senate Committee on Finance colleagues to enact a charitable deduction available to all taxpayers, whether or not they itemize.

Recent data supports that an expansion of a charitable giving incentive will assure that the full value of the current charitable deduction is preserved. The Indiana University study calculated that a universal charitable deduction would not only offset the potential loss in charitable dollars due to current tax reform proposals, but it also would increase charitable giving by $4.8 billion per year.  

Expanding the charitable deduction also advances two of your priorities. First, it would allow all taxpayers, including the middle class, to deduct from income their annual charitable contributions, thereby reducing their tax burden. Second, it incentivizes all American taxpayers to invest in their communities through their individual contributions to charities. Every taxpayer will be incentivized to contribute. Because the current charitable deduction is tied to the itemized deduction, and taxpayers who itemize their returns are often in higher income brackets, there is some criticism that the incentive is limited to wealthy Americans. Expanding the deduction recognizes and incentivizes charitable giving across all taxpayers and all income brackets.

The CGC strongly believes that expanding the charitable deduction is good tax policy. It simplifies the tax code, promotes fairness, supports charities and strengthens communities.

**Charitable Giving Incentives Work**

Charitable giving allows Americans to create, fund, and operate the institutions that are the fabric of our civil society. It supports nearly every facet of life in our communities: education, research, health services, housing and shelter, job training, arts, culture, religion, environmental protection, historic preservation, civil rights, civic engagement and more.

**2017 marks the 100th anniversary of the charitable tax deduction.** This is a remarkable milestone. Comprehensive tax reform presents an important landmark opportunity to expand, not reduce, the value of America’s long-standing giving tradition.

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5 Ibid
Mr. Chairman, we are grateful for your demonstrations of support over many years. We often include one of your quotes in our presentations: “Every charitable gift has one thing in common: The donor is always left worse off financially, but society is made better.”

We know you are familiar with the impressive statistics. Last month, Giving USA released its latest report. American individuals, estates, foundations and corporations contributed an estimated $390.05 billion to U.S. charities in 2016.\(^6\) Important for the purposes of our proposal to expand the charitable giving incentive, individuals accounted for $281.86 billion of those contributions, representing nearly 75% of overall charitable giving.\(^7\) This is a resounding demonstration that Americans have a tremendous spirit and capacity for giving.

Charitable giving reflects the priorities and passions of the donors. Giving USA found that giving to all nine major categories of recipient organizations grew, making 2016 just the sixth time in the past 40 years that this has occurred.\(^8\) The nine categories are religion; education; human services; giving to foundations; health; public-society benefit; arts, culture and humanities; international affairs; and environment and animals.

CGC often emphasizes the fact that the charitable deduction is different than other itemized deductions in that it encourages individuals to give away a portion of their income to those in need. It rewards a selfless act, and it encourages taxpayers to give more funds to charities than they would otherwise give. A calculation of the deduction suggests that those in need receive $2.50 of benefit for every $1 of tax benefit going to the donor. No other tax provision generates that kind of positive public impact.

Finally, the vast majority of Americans support expanding the charitable deduction. A 2016 national survey of voters commissioned by *Independent Sector*\(^9\) found – across all voter affiliations:

- 75% of voters support expanding the charitable deduction.
- 88% believe Congress should make it easier to deduct charitable contributions from taxes.
- 79% believe that all taxpayers should be able to take advantage of the charitable deduction.

In March 2017, Independent Sector conducted another poll across all voter affiliations. Again, the poll asked whether respondents support or oppose expanding the charitable deduction to all taxpayers whether or not they itemize. The findings were identical to the 2016 survey. Seventy-five percent of respondents supported this change.\(^10\)

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\(^7\) Ibid

\(^8\) Ibid


The Charitable Sector Plays Significant Role in Our Economy and Workforce

Although not traditionally considered part of the business sector, the contribution of charity and philanthropy to our economy and the workforce should be fully considered as you contemplate changes to the tax code. For that reason, we offer brief comments addressing your priority to “put the economy on a better growth path and create jobs.”

Bolstering the charitable sector is a key means of jumpstarting the economy. In 2014, nonprofits contributed $937.7 billion to the economy, which equates to 5.4 percent of Gross Domestic Product (GDP).\textsuperscript{11} One in 10 U.S. workers are employed by the nonprofit sector. In its most recent survey, Urban Institute reported that the nonprofit sector provided 14.4 million jobs and $634 billion in wages (2013 data).\textsuperscript{12}

The nonprofit sector has steadily increased its share of jobs and the economy over the past decade. The number of jobs has grown 14% over the decade from 2003 to 2013. The sector’s position as a share of the economy has also increased over the same decade, from 9.7 to 10.6%.\textsuperscript{13} Between 2005 and 2013, years that included the recession, the nonprofit sector outpaced both government and business in percentage growth of employment.\textsuperscript{14}

Enact a Charitable Deduction for All Taxpayers

In closing, the CGC will continue its efforts throughout the tax reform process to encourage Congress to preserve and expand incentives for charitable giving by enacting a universal charitable deduction for all taxpayers. As we work with Committee members and staff, we hope you view us as a valued, trusted resource for information about the implications of tax code changes on giving and charitable organizations. Our highest priority is to ensure that giving incentives remain strong and that Americans continue to generously support charities.

We welcome the opportunity to provide additional information. Please contact Jason Lee, Chair of the CGC and Interim President & CEO, Association of Fundraising Professionals, at JLee@afpnet.org and 703-519-8484.

Sincerely,

The Charitable Giving Coalition

Attachment:
2017 roster of organizations supporting the Charitable Giving Coalition

\textsuperscript{12} Ibid
\textsuperscript{13} Ibid
\textsuperscript{14} Ibid
ATTACHMENT: The Charitable Giving Coalition – About Us and Roster of Participating Organizations, 2017

- A unique, unified voice representing a broad cross-section of nonprofit organizations from across the country.
- Supported by more than 175 organizations, including individual nonprofit organizations, large national and international charities, faith-based organizations and several associations and umbrella groups that represent the charitable sector.
- Dedicated to preserving a charitable giving incentive that ensures that our nation’s charities receive the funds necessary to fulfill their essential philanthropic missions.

CGC formed in 2009 in response to proposals by the Obama Administration and Members of Congress to limit the tax deduction for charitable contributions. The organizations listed below are supporting CGC in 2017.

As Congress and the Trump Administration contemplate comprehensive tax reform, the CGC remains a relevant, constructive voice.

For more information about CGC, contact Jason Lee at AFPPresident@afpnet.org or 703-684-0410.

Association of Fundraising Professionals, Chair
Abila
Agudath Israel of America
Alliance for Charitable Reform
Alliance for Strong Families and Communities
American Alliance of Museums
American Baptist Foundation
American College of Obstetricians and Gynecologists
Americans for the Arts
Americans for the Arts Action Fund
American Heart Association
American Institute for Cancer Research
American Jewish Committee
American Red Cross
American Society of Association Executives (ASAE)
APRA
Aronson LLC
Association for Healthcare Philanthropy
Association of Art Museum Directors
Association of Christian Schools International (ACSI)
Association of Direct Response Fundraising Counsel
Augusta Levy Learning Center
Blackbaud Inc.
Boston University
Capital Caring
Catholic Charities USA
Catholic Health Initiatives National Foundation
Center for Non-Profits
Children’s Hospital Association
Cincinnati Zoo and Botanical Gardens
Community Foundation of Greater Birmingham
Community Foundation Public Awareness Initiative
Connecticut Community Foundation
Connelly Foundation
Cornell University
Council for Advancement and Support of Education (CASE)
Council for American Private Education
Council for Christian Colleges & Universities (CCCU)
Council on Foundations
Dance/USA
Delaware Alliance for Nonprofit Advancement
Delaware Symphony Orchestra
Des Moines Art Center
Detroit Zoological Society
Development Workshop Foundation
Disabled American Veterans
DMA Nonprofit Federation
Dunham+Company
Duke University
Easter Seals Midwest
Evangelical Council for Financial Accountability (ECFA)
Faith and Giving Coalition
Feeding America
The Field Museum
Florida Nonprofit Alliance
Focus Fundraising
Forum of Regional Associations of Grantmakers
George Washington University
George Washington University School of Medicine and Health Sciences
Girl Scouts of Eastern Pennsylvania
Girl Scouts of the USA
Goodwill Industries International
Grantmakers of Western Pennsylvania
Grinnell College
Habitat for Humanity Int’l
Hazen Inc.
Hindu American Foundation
IEEE Foundation
Independent Sector
InfoGroup
Iowa State University Foundation
Jewish Federation of Chicago
Jewish Federations of North America
Jewish Federation of Philadelphia
Johns Hopkins University
Kansas State University
Kansas State University Foundation
Kauffman Foundation
Kentucky Nonprofit Network
KL Ward Consulting & AICR Consultant
Leadership 18
LeadingAge
League of American Orchestras
LifeBridge Health
Louisiana Association of Nonprofit Organizations
m3 Development
Major Gifts
Massachusetts Nonprofit Network
Mayo Clinic
Mercy Medical Angels
Michigan State University
Mon General Hospital Foundation
Mundelein Seminary (Roman Catholic)
National Association of Charitable Gift Planners
National Association of College and University Business Officers (NACUBO)
National Association of Independent Schools
National Association of Latino Arts and Culture
National Catholic Development Conference
National Christian Foundation
National Council for Behavioral Health
National Council of Nonprofits
National Philanthropic Trust
Nature Conservancy
New Jersey Institute of Technology
Nonprofit Association of the Midlands
Ohio Jewish Communities
OPERA America
Oregon Jewish Community
Oregon State University
Partnership for Philanthropic Planning
Peachhealth Southwest Medical Center Foundation
Pennsylvania Association of Nonprofit Organizations
Performing Arts Alliance (PAA)
Pet Alliance of Greater Orlando
Philanthropy Ohio
Pittsburgh Ballet Theatre
PlayMakers Repertory Company – Center for Dramatic Arts
Princeton University
Rutgers, The State University of New Jersey
School of Professional Studies, New York University
Saint Louis Zoo
Share Our Strength
SOAR (Support Our Aging Religious)
SofterWare/DonorPerfect Fundraising and the Giving USA Foundation
South Dakota Community Foundation
Special Events Unlimited, Inc.
Spencer Museum of Art, University of Kansas
St. Baldrick’s Foundation
St. Labre Indian School
St. Rose Dominican Health
The Advise Us Fund
The American College of Financial Services
The Cathedral Center
The Children’s Museum of Indianapolis
The Community Foundation for the National Capital Region
The Community Foundation for Northeast Florida
The Giving Institute
The Foraker Group
The Philanthropy Roundtable
The Salvation Army
The Stelter Company
The University of Texas Health Science Center at Houston (UTHealth)
The Wilma Theatre
Theatre Communications Group
TrueSense Marketing
UK Markey Cancer Foundation
Union of Orthodox Jewish Congregations of America (Orthodox Union)
United Way of Central Massachusetts
United Ways of Pacific Northwest
United Way Worldwide
Unity Point Health – Des Moines Foundation
University of Colorado
University of Iowa
University of Maryland School of Nursing (Baltimore)
University of Michigan
University of Missouri
University of North Carolina System
Utah Museum of Fine Arts
Valley of the Sun United Way
Volunteers of America
Waynesburg University
Westmoreland Museum of American Art
White Memorial Medical Center Charitable Foundation
Wildlife Conservation Society
Williams College Museum of Art
Wilmington College
World Vision US
Wounded Warrior Project
Wyoming Nonprofit Network
Year Up
YMCA of the USA