

April 10, 2013

TO: Members of the House Revenue Committee
RE: Public Testimony on HB 2456—Opposition to Changes in the Charitable Deduction

Dear Members of the Committee:

We are writing to express our opposition to any legislation that reduces or caps the charitable deduction, specifically via HB 2456, SB 305, HB 2001 or other bills introduced in the current session.

The Oregon Community Foundation (OCF) is a statewide community foundation. Our mission is to promote philanthropy and improve life in Oregon. Last year OCF distributed more than \$66 million to nonprofit organizations all over Oregon for human services, education, cultural programs, and diverse forms of volunteer-intensive community service. As a result of our work we are keenly aware of the challenges facing Oregon, including the funding of both public and nonprofit services. We have routinely partnered with the State and its leaders in funding reform and innovation efforts as part of our mission.

Our efforts depend on the generosity of private citizens. The charitable deduction is an important incentive to these donors. *Most nonprofit organizations will attest that their private support comes disproportionately from those with higher incomes.* While a phase-out of the charitable deduction for higher income Oregonians may not touch a majority of individual taxpayers, it will have a significant impact on the total amount of charitable giving. As a community foundation dedicated to creating a permanent endowment for Oregon, our own donors tend to be in the income ranges that HB 2456 specifically targets for reduction or elimination of the charitable deduction. This will directly detract from our ability to develop new funds benefiting Oregonians.

There is significant evidence of direct correlations between reducing the charitable deduction and negative impacts on charitable giving. Three recent studies support this—an Urban Institute report in June 2012, a survey of donors by Bank of America in released in November 2012 and a formal analysis—“How Does Charitable Giving Respond to Tax Incentives and Income?” by Jon Bajika and Bradley T. Heim in the National Tax Journal in June 2011.

The state’s own budget projections suggest that the revenue forgone by the state through the charitable deduction leverages 10 times that amount in donations to nonprofit organizations. Using that very rough measure, gifts by Oregonians to create OCF’s endowment of some \$1.3 billion have cost Oregon state government less than \$130 million since 1974. Meanwhile these gifts have enabled OCF to grant more than \$800 million to Oregon nonprofits, a cumulative total now being increased by more than \$65 million every year.

Few can argue about the important work of the nonprofit community, or its significance to Oregon. As a sector, nonprofits employ more than 166,000 Oregonians and represent 13 percent of the private workforce. Harming the capacity of nonprofits to gather resources to serve their communities would be poor public policy. The charitable deduction is not a loophole for the wealthy. In fact, it succeeds admirably in its purpose. It’s a modest investment by the state to encourage people to give money away rather than keep it for themselves—and to give away more than they would otherwise give.

The charitable giving incentive is an important and significant element in encouraging support for charities and strengthening communities. We urge you to retain it, and to sustain the ability of such nonprofits as OCF and our many partners to meet the educational, human services and cultural needs of our state.

Respectfully,



Eric Parsons
Chair



M. Max Williams
President

Cc: Speaker Tina Kotek, Senator Peter Courtney, Office of the Governor