Don’t weaken charitable giving by changing the tax code

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As executive directors of nonprofits that serve Oregonians in Crook, Deschutes and Jefferson counties, we are stewards of the contributions our organizations make to the community, which is why we strenuously oppose reduction of the charitable deduction allowance currently under discussion in Salem (HB 2001 and SB 305) and Washington, D.C.

Our state has a thriving nonprofit sector that provides a wide range of services and benefits to Oregonians. We feed the hungry, restore environmental quality, promote the arts and educate kids. Nonprofits like ours meet real needs today, contribute to our vibrant cultural life, and ensure our state will remain a great place to live, work, play and learn well into the future.

Nonprofits work in partnership with local government and the private sector, often stepping in to fill the void left by reduced government funding for a wide range of activities and needs. The charitable deduction is key to that partnership, playing an essential role in making our sector’s work possible. Donors to nonprofits are motivated first by their connection to our missions, but also by their ability to deduct their charitable contributions. The deduction incentivizes their support for addressing issues in the public domain and gives communities an alternative to government-driven solutions.

Eliminating or weakening deductions for charitable giving could be catastrophic. The incentive to give charitably through a tax deduction has a demonstrated impact on the contributions to nonprofits and the communities they serve. Study after study has shown that limiting or disallowing a deduction for charitable giving will have a permanent negative effect on giving to charities. For example:

• In June 2011, a paper in the National Tax Journal concluded that “peoples’ decisions about how much to donate to charity are influenced significantly by tax incentives."

• A 2012 study of philanthropy, by Bank of America, asked affluent people how they might alter their giving if deductions were eliminated. Nearly 49 percent said they would decrease their giving — and 20 percent of those people said they would “dramatically decrease" their giving. Less than 2 percent said their giving would increase.

• In 2010, the 30 percent of Americans who itemized their deductions gave $170 billion, or 79 percent of the money “Giving USA" reported that individuals donated to nonprofit organizations. If changes to the charitable deduction caused people who itemize deductions to reduce their giving by the 20 percent suggested by the Bank of America study, that would mean a $34 billion drop in charitable giving, by far the largest decrease since the Great Depression. If nonprofits have to suddenly cut costs by $34 billion, they will cut jobs — positions that provide wide-ranging services and jobs to five times the number of people in the auto industry.

Simply put, disallowing charitable deductions will reduce available funding to nonprofits for important services to our communities. And the effects in Oregon would likely be disproportionately large. The Giving in Oregon Council conducted a report for the Oregon Community Foundation (OCF) that states, “Oregon consistently ranks above average in terms of individual giving. The proposals to cap tax exemptions for giving at any rate would affect Oregon giving broadly, but especially at the highest levels of giving, where again, Oregon has among the most generous donors in the nation."

Healthy, vital and prosperous communities rely on a partnership between the private sector, government and charitable nonprofits to provide important, often essential services for communities. The charitable giving deduction is not just another tax loophole — it is a critical component of that partnership. State and federal tax code changes to eliminate or weaken charitable giving ignore this reality and will create more problems than they solve.

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