



SB 319: The Cultural Trust Tax Credit

Testimony for Senate Business and Transportation Senate Business and Transportation, 3.12.2013 Jody Wiser

In a state where citizens donate \$1.5 billion a year,¹ we have a special program that funds the Cultural Trust. The \$3.3 million a year given to the Cultural Trust is a bit more than 2/10th of 1% of total giving² in our state. Currently, “donors” are diverting 100% of taxes due, rather than making a real donation, and getting a federal tax break for doing so.

Despite having 10% lower than average per capita income, Oregon ranks 19th among the 50 states for our charitable giving. The Cultural Trust does some commendable things, but what is the problem we are solving with the Cultural Trust? The legislation needs a clear, needs-based goal statement.

We’ve seen no evidence that the Trust has stimulated new giving to other cultural organizations or that the Cultural Trust has built a donor base independent of the Tax Credit.

Since an equal tax credit is received in return for donations to the Trust, a growing number of Oregonians with tax liability (most recently 6510) are learning that it is a way to decide where their tax money will be spent. In fact, the literature of the Cultural Trust clearly says, *“Your gift to the Trust costs you nothing – thanks to Oregon’s cultural tax credit.”*

Established in 2002, with the expectation that it would last 10 years, the Trust has had 21,000 “donors.”³ But since most donors to the Cultural Trust are likely itemizers,⁴ their giving is actually profitable to them, and expensive to the Federal and State revenue streams. In truth, the General Fund is the source of funds for the programs the Cultural Trust sponsors. Shouldn’t Legislators, not donors, control our budget? And should we be decreasing federal revenue?

\$1000 in Donations with the Cultural Trust Tax Credit	\$1000 in Donations without the Cultural Trust Tax Credit
\$500 to Third Rail Theater, Salem City Club or any historical society	\$1000 in donations - which may or may not include a Cultural Trust donation with no TC
<u>\$500</u> to Cultural Trust	
\$1000 TOTAL DONATIONS	\$1000 TOTAL DONATIONS
- 500 Tax Credit	- 300 Federal Itemized deduction
- <u>300</u> Federal itemized deduction 1000x.30%	- <u>90</u> State itemized deduction
\$ 200 Taxpayer cost	\$ 610 Taxpayer cost

¹2012 Giving in Oregon survey by the Oregon Community Foundation and the Giving in Oregon Council. Data is from 2010.

² 0.22%

³According to the Trust’s website, January 2013.

⁴ Most taxpayers with incomes as large as most cultural donors are also itemizers.

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The Cultural Trust has had 10 years with a 100% tax credit to draw donations to the Trust. With 21,000 donors over that time the Trust has quite a sizeable donor base. Enviably, really.

Each year, the Trust's resources are divided between building a Foundation for the future and funding activities now. Of the funds that are providing activities now, some is distributed by regional groups and tribes, some funds the Oregon Heritage Commission, the Oregon Arts Commission, Oregon Humanities, Oregon Historical Society, and the State Historic Preservation Office. These entities tend to re-grant the funds.

Our recommendation is that the tax credit be extended, but reduced in steps, giving the organization time to build donor commitment to the programs they sponsor that is not dependent on tax credits.

- 100% 2013
- 75%, 2014,
- 50% 2015,
- 25% 2016,
- 0% 2017.

2010 Personal Income Tax Filers

Income Group of Full-Year Filers*	Number of Filers Taking Credit	Percent of filers in income group taking credit	Average Revenue Impact of Credit	Revenue Impact (\$ millions)	Percent of Revenue Impact by Income Group
Below \$2,710	18	0.02%	\$0	\$0.00	0.0%
\$2,710 - \$6,060	11	0.01%	\$0	\$0.00	0.0%
\$6,060 - \$9,130	19	0.02%	\$62	<\$0.01	<0.1%
\$9,130 - \$12,130	19	0.02%	\$59	<\$0.01	<0.1%
\$12,130 - \$15,100	31	0.04%	\$63	<\$0.01	0.1%
\$15,100 - \$18,160	35	0.04%	\$163	\$0.01	0.2%
\$18,160 - \$21,440	49	0.06%	\$145	\$0.01	0.2%
\$21,440 - \$25,020	45	0.06%	\$124	\$0.01	0.2%
\$25,020 - \$28,910	65	0.08%	\$216	\$0.01	0.4%
\$28,910 - \$33,350	83	0.10%	\$191	\$0.02	0.5%
\$33,350 - \$38,400	123	0.16%	\$189	\$0.02	0.7%
\$38,400 - \$44,110	147	0.19%	\$230	\$0.03	1.1%
\$44,110 - \$50,700	206	0.26%	\$235	\$0.05	1.5%
\$50,700 - \$58,200	259	0.33%	\$282	\$0.07	2.3%
\$58,200 - \$66,790	341	0.43%	\$336	\$0.11	3.7%
\$66,790 - \$77,020	452	0.57%	\$343	\$0.16	5.0%
\$77,020 - \$89,890	559	0.71%	\$389	\$0.22	7.0%
\$89,890 - \$108,370	762	0.96%	\$461	\$0.35	11.2%
\$108,370 - \$145,480	1,069	1.35%	\$511	\$0.55	17.5%
Above \$145,480	2,154	2.72%	\$700	\$1.51	48.3%
All Full-Year Filers	6,447	0.41%	\$485	\$3.12	100.0%
Part-Year and Nonresident Filers	54		\$304	\$0.02	

*Each Group contains 5 percent of the full-year filers (approximately 79,060)

Information provided by DOR October 2012

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