

October 25, 2012

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

As a coalition representing a broad cross-section of nonprofit organizations across the country, we urge you to reconsider your proposal to cap the charitable deduction as part of an overarching proposal to cap all itemized deductions at 28 percent for certain taxpayers.

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 have given. Data suggests that for every dollar a donor gets in tax relief for his or her donation, the public typically receives three dollars of benefit. No other tax provision generates that kind of positive public impact. It is worth noting that the charitable deduction's unique value is recognized in the FY 2013 Budget's "Buffett Rule" proposal that maintains the charitable deduction for those earning \$1 million a year or more.

Because the charitable deduction is unique and promotes giving to benefit society, we encourage you to reconsider proposals to limit the value of itemized deductions for charitable contributions, such as the proposal in the FY 2013 Budget that would cap itemized deductions at 28 percent for certain taxpayers, a proposal that was included in the Administration's previous Budgets as well. This proposed cap contradicts and undermines the concept that the charitable deduction is unique and should be protected from any changes that would otherwise diminish its impact. Any proposed cap would have long-lasting negative consequences on the charitable organizations upon which millions of Americans rely for vital programs and services.

Higher income taxpayers account for the majority of individual giving. According to a recent 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.

People give to worthwhile causes for many reasons—incentives such as tax deductions being among them. Tax incentives make more and larger gifts possible. Tax policy experts such as Joseph Cordes and Martin Sullivan have also noted that charitable giving is more sensitive to tax changes compared to other deductible payments such as local taxes and mortgage interest because taxpayers generally cannot adjust or modify their local taxes or mortgage payments. However, taxpayers can adjust their levels of charitable contributions quite easily in response to tax code changes.

Charities bridge the gap by serving those in need as budgetary constraints hinder states and the federal government from providing services. These charity-provided services are critical. If giving decreases, the nonprofit sector is harmed as well as those in the lowest income brackets who rely heavily upon charitable services. If the charitable deduction is capped, reduced or

eliminated, wealthy Americans will not bear the brunt of any changes made to itemized deductions that negatively impact charitable giving—those who are most in need will.

Charities have a very positive impact on the American economy. In 2009, nonprofits employed 13.5 million individuals, or approximately 10 percent of the country's workforce. Employees of nonprofit organizations received roughly 9 percent of wages paid in the U.S. in 2009, and the nonprofit sector paid \$668 billion in wages and benefits to its employees.

As charities struggle to meet increased demands for their services and raise additional funds, we must encourage everyone, regardless of income and wealth, to give more. We look forward to working with you and your staff on this issue and on any other issues affecting the charitable sector.

Sincerely,

Association of Fundraising Professionals, Chair
Alliance for Charitable Reform
Alliance of Nonprofit Mailers
American Alliance of Museums
American Institute for Cancer Research
Association for Healthcare Philanthropy
Association of Christian Schools International
Association of Direct Response Fundraising Counsel
American Society of Association Executives
Association of Art Museum Directors
Big Brothers Big Sisters of America
Catholic Charities USA
Council for Advancement and Support of Education
Dance/USA
DMA Nonprofit Federation
DMW Direct Fundraising
Dunham+Company
Educational Media Foundation
Evangelical Council for Financial Accountability
Goodwill Industries International
Independent Sector
The Jewish Federations of North America
League of American Orchestras
Mental Health America
The National Catholic Development Conference
The National Council on Aging
The National Human Services Assembly
OPERA America
The Philanthropy Roundtable
The Salvation Army
Theatre Communications Group
The United Way Worldwide
Volunteers of America