

**Oral Testimony of
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The Jewish Federations of North America
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Hearing on the Charitable Contribution Deduction
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Chairman Camp, Ranking Member Levin, and members of the Committee, thank you for inviting me to testify on the charitable contribution deduction. My name is William C. Daroff and I am the Vice President for Public Policy and Director of the Washington Office for The Jewish Federations of North America ("JFNA"), the national organization representing 154 Jewish Federations and 300 independent network communities, the umbrella Jewish fundraising organizations as well as the central planning bodies for an extensive network of Jewish health, education, and social service agencies, raising and allocating funds for almost one thousand affiliated agencies that provide needed services to almost one million individuals across the country.

As the second largest philanthropic network in the nation, we know first-hand that tax incentives do result in increased charitable giving. We oppose proposals that would either limit the value of the charitable contribution deduction or impose a dollar cap on the total of tax expenditure items as they would cripple our ability to provide needed social services to the most vulnerable among us.

Jewish Federations conduct an annual fundraising campaign that collectively raises almost \$950 million system-wide each year from over 400,000 donors. In addition, our planned giving and endowment departments raise \$1.2 billion each year through a variety of planned giving vehicles including charitable gift annuities, charitable trusts, donor advised funds, and supporting

organizations, among others.

The Jewish Federation system is especially proud of the important role that donor advised funds and supporting organizations play in maintaining active grant-making programs and building endowment assets. Jewish Federations have combined endowment assets of approximately \$14 billion and make annual grants from those funds that exceed \$1.5 billion, with significant distributions for both Jewish and non-Jewish charitable activities. The Jewish Federation system has a sophisticated fund raising operation as well as highly-organized procedures for allocating funds to a broad range of social service programs in their communities and overseas. We see both sides of the charitable deduction equation: how donors react to tax provisions, as well as how philanthropic dollars flow to assist the most vulnerable.

Perhaps the primary mission of JFNA is to assist Jewish Federations as they inspire members of the Jewish community to fulfill our religious duty to be charitable (“tzedakah”) and to fulfill our collective responsibility to build community and improve the world (“tikkun olam”). Although it is true that the importance of these principles transcend the tax code and incentives such as the charitable contribution deduction, we also recognize that such provisions permit many of our donors to extend their levels of generosity. It is these contributions that truly are the lifeblood of the Jewish Federation system. Although the donor base to our annual campaign is large, we also recognize that the overwhelming percentage of dollars raised come from a relatively small percentage of donors. This tax-sophisticated donor group makes large gifts through the annual campaign and through the use of planned giving vehicles. It is this tax sophistication that permits donors to structure gifts so that the maximum amount of funds flow to Jewish Federations and, in turn to beneficiary agencies -- and to flow to those charities today, rather than later. In turn, these funds are essential for us to fulfill our charitable mission. This perspective convinces us that

proposals that limit the deductibility of charitable contributions will lead to a significant decrease in donations to the Jewish Federation system.

Supporters of limiting the value of charitable contribution deductions state it would have little impact on overall giving. A study issued by the Center on Philanthropy at Indiana University published in 2011 concludes that charitable giving would decline by over \$3 billion, which is not an insignificant amount. For us, the debate by tax economists is largely an academic exercise; the true measure is the tens of thousands who benefit from our services every day. At a time when government funding at all levels is shrinking, the charitable contribution deduction produces the lifeblood of funds that are essential. Indeed, many Jewish Federations and partner agencies report that because government fee-for-service programs such as Medicaid operate at a loss, philanthropic dollars are necessary to "keep the doors open."

Some examples of work on the ground by Jewish Federations and partner agencies tell the real story:

- In Chicago, Jewish United Fund/Jewish Federation of Metropolitan Chicago provides food, refuge, health care, and emergency assistance to 300,000 individuals of all faiths;
- In Los Angeles, the Jewish Federation of Greater Los Angeles supports Bet Tzedek (House of Justice), an organization that provided free legal services to over 100,000 families, to overcome abuse, neglect, and exploitation, including a group of Holocaust survivors, dealing with housing, consumer fraud, and elder abuse;
- In Boston, the Combined Jewish Philanthropies Disability Housing Initiative works to renovate high-quality, affordable housing for people with disabilities, providing residents with access to healthcare coordination, employment services, social and recreational opportunities, and a support structure;

- In Ann Arbor, the Jewish Federation of Greater Ann Arbor supports the Jewish Family Services of Washtenaw County's world-class Partners in Care Concierge program that pairs volunteers with seniors to help them better navigate the medical system and decrease hospital readmissions that could trigger significant Medicare payment cuts.

Over the past several decades, the Jewish Federation system has fostered growth in charitable giving through Donor Advised Funds and Supporting Organizations (known as "Participatory Funds"). They offer donors an ongoing partnership with Jewish Federations. These funds are an indispensable tool in encouraging intergenerational involvement in Jewish charity through family philanthropy. They also advance the values and goals of the Jewish Federation system through nurturing relationships between philanthropists, Federation volunteers, and professionals, as well as building endowment assets.

Participatory Funds provide a reliable pool of dollars to support the annual campaigns of Jewish Federations, which is the primary financial source for ongoing operating budgets. Grants from these funds comprise up to twenty-five percent of the operating budgets of some Jewish Federations. As the Committee considers changes to the charitable deduction, we urge that Participatory Funds be allowed to flourish, with a minimum of regulatory burdens.

Jewish Federations applaud the Committee for your deliberative process in addressing fundamental tax reform and recognize the need to address the federal deficit in a thoughtful manner. In doing so, however, it is crucial to recognize that the charitable contribution deduction is the only provision in the income tax law where an individual must "give away" income or assets in order to receive a deduction. This selfless act must be promoted by the tax code and is fundamental to the social contract that binds individuals, charities, and the government. Proposals to limit the value of the charitable contribution deduction, place a dollar cap on total tax deductions, or transform the

charitable deduction into a credit with artificial floors and ceilings, would result in less giving and therefore cripple charities that strive to remain at the forefront of the fight to feed the hungry, clothe the naked, and heal the sick.

The Jewish Federations of North America remain committed to ensuring that federal tax policies -- and particularly the charitable contribution deduction -- continue to incentivize the flow of funds from individuals to public charities.

I thank the Committee for the opportunity to present this testimony and stand ready to answer your questions.