



Volunteers of America®

Testimony Before the

U.S. House Ways and Means Committee

Hearing on “Tax Reform and Charitable Contributions”

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Chairman Camp, Ranking Member Levin, and Members of the House Ways and Means Committee, thank you for inviting me to testify at this important hearing on charitable contributions. I appreciate the opportunity to share with the Committee how vital charitable donations are and how eliminating the charitable deduction would negatively impact our organization and the vulnerable individuals we serve.

Introduction

My name is Mike King and I am the President and CEO of Volunteers of America (VOA). For over 35 years, I have worked in the non-profit sector and have seen firsthand the benefits of the charitable deduction. VOA is a national, non-profit, faith-based organization dedicated to helping those in need rebuild their lives and reach their full potential. Over the past 116 years, VOA through its national family of affiliates has provided services to the most vulnerable Americans. Our ministry of service has supported and empowered America’s most vulnerable groups, including veterans, the frail elderly, at-risk children and youth, people with intellectual disabilities, men and women returning from prison, homeless individuals and families, people with disabilities

and those recovering from addiction through hundreds of human service programs. Through our 16,000 employees and over 60,000 volunteers, VOA serves almost 2.5 million people annually in more than 400 communities in 46 states, as well as the District of Columbia and Puerto Rico. Almost 90 cents of every dollar VOA spends goes to services for individuals, families, and communities. The problems we take on are not transient; they are part of the human condition. They take strong hearts and strong wills, passion, and patience. They require the commitment of a lifetime.

As a direct provider of services, VOA relies on charitable donations to fund numerous ongoing initiatives with a real and lasting impact. For example, VOA has made a lasting commitment to “serve those who have served us” by providing direct services to veterans. VOA’s support helps veterans overcome the barriers that stand between them and a stable, secure life. Through encounters on the street to encounters at the VA hospital, VOA case managers provide the support that veterans need to engage in needed supportive services. Additionally, VOA engages veterans to assist their brothers and sisters who are struggling to transition to civilian life. VOA provides housing and supportive services to enable each veteran to live a dignified and stable life. Many VOA affiliates provide centers where veterans can receive treatment for PTSD, cognitive impairments, and addictions. VOA helps connect veterans to the benefits they are entitled to, and makes use of the strong bonds forged between veterans by incorporating mentoring and peer-to-peer support.

VOA is also a leader on aging issues. VOA’s Aging with Options programs aims to transform the current senior care system by providing people with control over their care, allowing older Americans the freedom to receive care while living longer in their own homes. VOA is also a major provider of skilled long term nursing care and rehabilitative health services, with an increased focus on Alzheimer’s and dementia care. Volunteers of America operates nursing facilities, residential assisted-living complexes and low-income housing for seniors across the country. By developing comprehensive solutions for veterans, people who are homeless and people with disabilities who are confronting the challenges of aging, we maximize the use of our resources to meet the needs of a growing number of seniors throughout our service system.

VOA is concerned by recent proposals to limit the charitable deduction. In light of challenging state and federal budget environments, as well as impending sequestration cuts, the need for charitable donations has never been greater. Limits to this important tax benefit will likewise limit our ability to serve disadvantaged populations.

About the Charitable Deduction

Since the Revenue Act of 1917 first created the charitable income tax deduction, our nation's tax system has strongly encouraged Americans to give back to their communities by providing tax deductions for contributions to charitable organizations. These policies have fueled a strong tradition of giving that has broadened access to health and human services, and a variety of other programs vital to the strength and prosperity of our nation.

The charitable tax deduction is a vital source of revenue for myriad nonprofit organizations throughout the country. This tax deduction allows Americans from across the economic spectrum to enrich communities. Unlike other tax deductions that subsidize personal expenditures, the charitable deduction provides an incentive for people to give money away to benefit others.

According to Giving USA, in 2011, donations to charities were nearly \$300 billion, with more than \$200 billion coming from individuals. While Americans give to charitable organizations for many reasons, studies have shown that tax policy greatly shapes the size and number of charitable donations. It has been estimated that, with no deduction for charitable gifts, annual giving would drop by between 25 percent and 36 percent, and the proposed cap on charitable deductions could cost charities as much as \$7 billion a year in contributions.

At Volunteers of America, we rely on charitable contributions as a critical part of our public-private partnership with local, state, and federal governments. Without these funds, we would not be able to continue to provide these necessary services in communities across the country. Providing nourishing meals, offering shelter to those of all ages in need, helping veterans re-enter their community after their service, providing

individuals with a second chance or a sober future, guiding youth in need to break the cycle and find a successful path to their future—without donations from individuals, we could not serve as many, as well or as quickly as needed.

The charitable deduction is also an efficient way for the government to spur investment in communities. When an individual in the highest tax bracket donates \$1,000 to charity, the government foregoes \$350 in tax revenue, but communities benefit from the entire \$1,000 gift. The government is unlikely to find another vehicle that can leverage private spending for community services on a nearly 3-to-1 ratio.

Why Preserve the Charitable Deduction

In light of declining federal and state funding and reductions in Medicaid spending, the role of charitable contributions has never been more important. Since the economic downturn in 2008, charitable giving has declined by \$25 billion as Americans have struggled to navigate a difficult economy. Federal and state budget cuts have further overburdened and diminished the capacity of nonprofits and disproportionately affected those least able to help themselves.

All this comes at a time when the need for the services and supports that organizations like VOA provide has never been higher. We understand that our country is facing challenging budgetary times and that Congress and the President are faced with difficult decisions in an effort to reduce the deficit. However, Volunteers of America and other leading nonprofit organizations believe that the combination of spending cuts, ongoing and potential future changes to entitlement programs, and the elimination of the charitable deduction would have a severe, negative impact on low-income families and individuals.

Now is not the time for Congress to dismantle a tradition that supports America's nonprofits and the people and causes they serve. While our nation faces a fiscal crisis that must be addressed, the charitable deduction is a critical investment that leverages the goodness of individuals to build strong communities.

Conclusion

Our work at VOA touches the mind, body, heart – and ultimately the spirit – of those we serve, integrating our deep compassion with highly effective programs and services. As one of the largest direct human services providers in the country, preserving the charitable deduction is vital to our organization and crucial to our financial health.

We urge Congress to reject proposals to limit the value of itemized deductions for charitable donations. As nonprofit organizations struggle to meet increased demand for services and raise the necessary funds to meet those needs, Congress should seek to encourage all individuals, regardless of income and wealth, to give more to charitable organizations.

Thank you again for the opportunity to testify today at this important hearing. I look forward to continuing the dialogue and answering any questions from Members.