



United Way of Pennsylvania

United States House of Representatives  
Committee on Ways and Means  
Hearing on Tax Reform and Charitable Contributions  
Testimony by Anthony L. Ross  
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Chairman Camp, Ranking Member Levin, Members of the Committee,

I am Tony Ross, President of United Way of Pennsylvania (UWP). Our organization is the state association representing 54 local United Ways that serve every community in the Commonwealth.

Thank you for the opportunity to testify today before the House Ways and Means Committee about the critical importance of itemized deduction for charitable contributions.

It is most appropriate that we gather on Valentine's Day to have a dialogue about the importance of charitable giving. In my view, one of the most meaningful ways that Pennsylvanians and all Americans demonstrate their caring and concern for their communities, friends and neighbors is through donating to charities of their choice.

United Way of Pennsylvania and our members unequivocally support preserving the Charitable Tax Deduction, which is vital to the ability to serve the Commonwealth's most vulnerable citizens.

As you are aware, several proposals have been under consideration that would impose a dollar limit or percentage cap on charitable contributions. Such proposals would damage nonprofits' ability to address some of the most persistent challenges in our communities - issues like the high-school drop-out rate, unemployment and health issues that affect children, adults, and seniors.

Without the support of our donors, important work which positively impacts all of our communities would not occur. Here are a few examples:

- The United Way of Berks County has started a **Ready.Set. READ! Initiative**, which brings together schools, businesses, organizations and individuals to improve early grade reading success;
- **Erie Together** – an initiative of United Way of Erie County- develops comprehensive community wide responses to alleviate the impact of poverty on their community; and
- **United for Women** which assist newly struggling women who are one step away from crisis in Allegheny County.

Recently, the White House released a report estimating that a \$50,000 cap on deductions would reduce charitable giving by as much as \$150 billion over 10 years.

Meanwhile, Harvard University economist Martin Feldstein estimated that a 28 percent income cap would reduce charitable giving by about \$7 billion a year.

Policies to cap or limit the charitable deduction would be devastating to human service organizations and the people they serve; in light of the \$20 billion annual decrease in giving since the economic downturn began in 2007.

From 2005 to 2010, charitable giving in Pennsylvania has declined from \$181 billion to \$169 billion, a 6.2 percent decrease.

More than 80 percent of the 46 million Americans who itemized their tax returns in 2009 claimed the charitable deduction. These individuals and families represent barely one quarter of all taxpayers and were responsible for more than 76 percent of individual contributions to charitable organizations.

In 2010, 1.9 million Pennsylvanians (31 percent) filed itemized returns with over \$5.8 billion in charitable deductions. The average contribution was \$3,048. It is important to note that the overall average charitable contribution for Pennsylvania was \$2,181.

Proposals to cap or reduce the charitable deductions present a “triple threat” to the country’s charities of:

1. reduced federal & state funding,
2. increased demand for services, and
3. fewer donations.

Federal and state budget cuts have overburdened and diminished the capacity of nonprofits and disproportionately affected those least able to help themselves.

According to a recent United Way of Pennsylvania statewide survey, nearly 70% of the 800-nonprofit groups report feeling the effects of state budget cuts in 2012, and some indicate the cuts have been going on for five years or more.

Nearly half of the groups (49%) also experienced funding reductions from federal budget streams.

As a result, charitable contributions are more critical than ever to communities in Pennsylvania and the nation.

Often, charities are the last resort for financially distressed individuals and families.

The nonprofit sector advances the common good by reducing the need for government services. Be assured that reduced capacity of charities to meet community needs will result in increased demand for assistance for the public sector.

The simple reality is that charitable contributions may be reduced or limited but people in need do not go away.

In conclusion, please remember that charitable donations represent the generosity of individuals willing to invest some of their hard-earned dollars into improving their communities.

Often our government partners applaud charities for helping individuals and families facing dire needs. We respectfully ask that our leaders **not** enact policies such as limiting or eliminating the charitable deduction that will negatively impact nonprofits' ability to improve the quality of life in communities in Pennsylvania and across the nation.

Thank you for your time and consideration.