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**Written Testimony
Submitted to
U.S. House Committee on Ways and Means
For the February 14, 2013 Hearing Titled
*Tax Reform and Charitable Contributions***

February 14, 2013

Chairman Camp, Ranking Member Levin, Members of the Committee, thank you for this opportunity to testify on behalf of the Council for Advancement and Support of Education and the National Association of Independent Colleges and Universities on the importance of preserving the value of the federal income tax deduction for charitable contributions.

Southwestern University is a nationally recognized private liberal arts college located in Georgetown, Texas. It is the oldest institution of higher learning in Texas and has a current enrollment of 1,400 students.

Headquartered in Washington, D.C., with offices in London, Singapore and Mexico City, the Council for Advancement and Support of Education (CASE) is the professional organization for advancement professionals at all levels who work in alumni relations, communications, fundraising, marketing and other areas. Today, CASE's membership includes more than 3,600 colleges, universities, independent elementary and secondary schools, and educational associates in 76 countries around the world. CASE helps its members build stronger relationships with their alumni and donors, raise funds for campus projects, produce recruitment materials, market their institutions to prospective students, diversify the profession, and foster public support of education.

The National Association of Independent Colleges and Universities (NAICU) serves as the unified national voice of independent higher education. Since 1976, the association has represented private colleges and universities on policy issues with the federal government, such as those affecting student aid, taxation, and government regulation. Today, through new communication technologies, an improved governance structure, and increased member participation, NAICU has become an even more effective and respected participant in the political process. NAICU's membership includes more than 1,000 institutions nationwide.

Private support raised from individuals is an essential funding source for both private and public colleges and universities. According to the Council for Aid to Education, donors contributed \$30 billion to colleges and universities in 2011.¹ Charitable gifts help institutions fund scholarships for low-income students, recruit top-notch faculty and strengthen academic programs.

Like most private, liberal arts institutions, Southwestern University relies on private support to fund key institutional priorities. Each year, our endowment covers a significant percentage of our operating budget. Endowment represents 25.95% of the current year educational and general budget net of

financial aid. Charitable giving helps us minimize tuition increases and provide a high-quality learning environment for our students.

In the aftermath of the recent recession, colleges and universities continue to face challenges. Endowment investment returns continue to be volatile, with the most recent data showing that institutions had an average endowment return of -0.3 percent in 2011-2012.ⁱⁱ At the same time, colleges and universities are also seeing more and more cuts to their state and federal funding. In Texas, schools experienced an 18% decrease in funding for the Tuition Equalization Grant program for the last biennium. This represented a loss of over \$37 million in grant funding for needy students seeking a higher education in Texas. At Southwestern, this decrease in funding resulted in a loss of over \$600,000 to our students over a two-year period.

Many students and their families are struggling to afford higher education tuition costs. Unless institutions can convince donors to provide additional aid for deserving students, educational opportunity will shrink even as the need for education grows.

That is why we urge the Committee and Congress to support policies like the federal tax deduction for charitable gifts, policies that incentivize giving to educational institutions. While charitable giving is a voluntary act, driven by a desire to do good, to have impact, and to give back, tax incentives do play a role in encouraging donors to accelerate giving. Major donors to our institutions often base the size and timing of their gifts, at least in part, on tax considerations.

And major donors are exactly the taxpayers who would be most affected by proposals that limit the value of the charitable deduction. These are the donors who have the resources to give to charitable organizations consistently, and our tax policy should encourage them to continue to give generously. Proposals that cap the value of the charitable deduction, whether a hard dollar cap or a percentage of income cap, do the opposite – they reduce the incentive for donors to give additional dollars to educational institutions and other charitable organizations.

High-income donors who give little or nothing to charity would be unaffected by a cap on the charitable deduction. Instead, a cap would target the most generous high-income donors, individuals and families who want to make large gifts to educational institutions or other charitable organizations. Why would Congress want to penalize individuals who want to give more of their wealth away, particularly at a time of rapidly increasing wealth disparities?

Unfortunately, some have mislabeled the charitable deduction as a tax break for the wealthy. A cap on the charitable deduction would not hurt high-income donors, many of whom would likely decide to give less if a cap was enacted. Students and others served by charitable organizations would feel the brunt of this policy change.

Once again, we strongly urge the Committee to preserve the value of the charitable deduction and support other incentives that encourage individuals to give more to their alma mater and other charitable organizations. Now is not the time to fundamentally change a tax incentive that has contributed to a cherished tradition of charitable giving unmatched in the world.

Thanks again for the invitation to testify before you, and I'd be happy to answer your questions.

ⁱ 2011 Council for Aid to Education Voluntary Support of Education Survey,
http://www.cae.org/content/pdf/VSE_2011_Press_Release.pdf.

ⁱⁱ 2012 National Association of College and University Business Officers-Commonfund Institute Study of Endowments http://www.nacubo.org/Research/NACUBO-Commonfund_Study_of_Endowments/Public_NCSE_Tables.html.