



Testimony  
of Celeste Amato, on behalf of  
the Association of Baltimore Area Grantmakers

Before the  
House Committee on Ways and Means  
Hearing on Tax Reform and Charitable Contributions  
February 14, 2013

Chairman Camp, Ranking Member Levin, and members of the Committee, on behalf of thousands of Marylanders helped by foundations and nonprofit organizations, I appreciate the opportunity to present the views of the Association of Baltimore Area Grantmakers on the importance of the charitable giving incentive. I urge you to protect the full incentive of the charitable deduction and not allow any limits or caps that will reduce needed resources in communities.

**Maryland** is one of the most generous states in the country, ranking 10<sup>th</sup> in total charitable contributions. The top 10 percent of wealthiest Marylanders, likely to be affected most by limits or caps to the charitable deduction, contributed 31 percent of all reported contributions in 2010. And, Marylanders of all income levels take advantage of this important federal policy. Of the 1.1 million Marylanders reporting donations:

- 67 percent had income between \$50,000 and \$200,000 and contributed \$2.7 billion;
- 23 percent had income less than \$50,000 and contributed \$621.6 million; and
- 10 percent had income over \$200,000 and contributed \$1.5 billion.<sup>1</sup>

The Association of Baltimore Area Grantmakers are particularly concerned by proposals to set a ceiling on all itemized deductions, including charitable giving, which would effectively eliminate the incentive for donations. To illustrate, policymakers have discussed setting the cap at \$15,000 or \$20,000 as the maximum amount an individual could deduct. The fixed-cost deductions for mortgage interest and state and local taxes – which nationwide totaled an average \$22,233 in 2010 – would already bump against proposed ceiling levels. The charitable deduction would be irrelevant. A *Wall Street Journal* analysis pointed out that a ceiling policy would have a disproportionate impact in states like **Maryland** with higher taxes and higher real estate costs.

America's economic recovery requires a strong philanthropic sector, whose role as a safety net and innovator is more important than ever for a faster, sustainable economic recovery. This is particularly true as local, state and federal budgets and nonprofits continue to suffer the consequences of America's recession – increased demand for services with significantly fewer resources to get the job done.

---

<sup>1</sup> IRS, Statistics of Income Division, Individual Master File System, December 2011.

Now is not the time to dismantle incentives to support the crucial work of the nonprofit sector –job training, improving education and health, housing and consumer counseling, and addressing the basic needs of Marylanders. Nonprofits and charitable organizations supported through the generosity of millions of Americans have been crucial during times of crisis, particularly in the wake of natural disasters like Hurricane Sandy. Additionally, one in ten Americans work for a nonprofit, providing 13.5 million jobs. The same is true in **Maryland** where nonprofit organizations employ more than 260,000 *people*. As you can imagine, any cap or limitation on charitable deductions undermines charitable giving and would have long-lasting negative consequences.

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.

People give to worthwhile causes for many reasons—incentives such as tax deductions being among them. A Network for Good study reported that more than 20 percent of online giving for the entire year occurs on December 30 and 31, demonstrating that tax incentives are on the minds of donors. A recent 2012 study found that thirty-three percent of donors surveyed would reduce their giving if the charitable deduction did not exist. A national poll conducted earlier this year showed three out of four Americans say they do not favor cutting, capping or limiting the charitable tax deduction.<sup>2</sup>

The Association of Baltimore Area Grantmakers looks forward to continuing to work with you to strengthen the impact of foundations and nonprofit organizations.

#### CONTACT INFORMATION

M. Celeste Amato  
President  
Association of Baltimore Area Grantmakers  
2 East Read St., 2nd Floor  
Baltimore, MD 21202  
Ph 410.727.1205  
camato@abagrantmakers.org  
www.abagrantmakers.org

---

<sup>2</sup> National Council of Nonprofits, *Special Report: The Fiscal Cliff's Twin Threats Against the Work of Charities*  
[<http://www.councilofnonprofits.org/files/special-report-fiscal-cliff-nonprofits.pdf>]