



February 28, 2013

The Honorable Dave Camp
United States House of Representatives Ways and Means Committee
1102 Longworth House Office Building
Washington DC 20515

Dear Chairman Camp and Members of the House Ways and Means Committee:

Colorado Nonprofit Association is the collective voice of Colorado's nonprofit community and a membership organization representing more than 1,350 nonprofits in the state. Our mission is to lead, serve, and strengthen Colorado's nonprofit community to improve the quality of life in Colorado.

Colorado's nonprofits are an integral part of Colorado's economy and quality of life. Our 20,000 charitable nonprofits employ 142,000 Coloradans and represent eight percent of Colorado's private workforce. Expenditures by Colorado nonprofits comprise seven percent of Colorado's gross domestic product. Also, one in three Coloradans volunteer for the causes that matter most to them.

Colorado Nonprofit Association urges the Committee to protect the value of the charitable deduction for donors in Colorado and throughout the nation. The charitable deduction encourages donors to freely give away part of their income to support causes that benefit the public and lessen the burden of government. For every dollar reduced from an itemizing donor's income tax liability, communities receive approximately three dollars of benefit from nonprofit services.

As you know, certain proposals would place a dollar cap on deductions claimed by itemizing taxpayers or would reduce the value of deductions for upper income taxpayers. With the former proposal, we have expressed concerns to our Congressional delegation that itemizing taxpayers would have little room under the cap to deduct charitable contributions after taking other fixed-cost deductions such as mortgage interest, state and local taxes, etc. The latter proposal would reduce the value of the deduction by as much as 30 percent for Colorado's upper income taxpayers.

Although fewer than 40 percent of Colorado's donors who deduct their charitable contributions have annual incomes over \$100,000, they account for more than \$2 billion of the more than \$3 billion given to Colorado nonprofits. Reducing how much the wealthiest donors can deduct would have substantial impacts on charitable giving in this state.

While Colorado nonprofits are creative and innovative, the current operating environment is challenging. Many nonprofits have experienced increased demand for services and programs at a time when the economy and cuts in government funding have stretched financial resources. Reducing incentives for charitable giving means

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Colorado nonprofits would have even fewer resources to sustain their organizations and fulfill their missions.

By giving to nonprofits and volunteering, not only do individuals support the economic contribution of nonprofits and the livelihood of their employees, they also support nonprofits' ability to strengthen the quality of life for all Coloradans. In December 2012, we asked our nonprofit members how they would be affected if Congress weakened or eliminated the charitable deduction. Here are some summarized examples of their statements:

- Fewer contributions anticipated from individuals and private foundations to a nonprofit in Denver conducting research on treatment protocols for pediatric cancers.
- A Denver-based nonprofit that provides comprehensive dental services to elderly and disabled persons in multiple states anticipated less revenue to help reduce current waiting lists for services.
- A nonprofit in Englewood who provides service dogs to persons in need reported that they would be less capable of reducing their waiting list for individuals with disabilities. More than half of the individuals currently on the list are wounded warriors.
- A museum in Erie dedicated to aviation history reported that 50% of pledges were held up in the last quarter of 2012 due to the uncertainty of potential tax changes in late 2012. The museum expressed fears of having to cut back education programs for schools and seniors and possibly consider closing its doors.
- In 2012, many residents in the town of Lyons could not maintain their previous levels of giving for their all-volunteer fire department.
- A nonprofit expressed concerns about raising sufficient funds from second home owners in Crested Butte to ensure completion of a new \$10 million arts center.
- A nonprofit providing adult education to residents of Durango expressed fears of having to reduce hours, increase waiting lists, and eliminate programs to prepare high school dropouts for post-secondary education.
- An adult daycare services provider in Greeley fears discontinuing services. They said that more families would have to place loved ones in skilled nursing facilities and apply for Medicaid instead. This would increase costs both for those families and for taxpayers.
- A Colorado Springs nonprofit that trains volunteers to be court appointed special advocates for children reported an 11 percent reduction in government funding and expressed concerns about maintaining levels of services if they also experience reduced donations.
- A private college preparatory school in Colorado Springs reported that they had lost several donors who normally give \$1,000 to \$5,000 per year and feared losing more of these donors. These donors not only help to maintain current levels of giving to the school but also provided challenge grants to engage lower-end donors.

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Also, in December of 2012, more than 300 nonprofits in Colorado signed a letter sent to Colorado's members of Congress, as well as to Speaker Boehner and the White House, asking for preservation of the charitable deduction as Congress and the White House addressed the fiscal cliff. You can view the signers of the letter at our website www.ColoradoNonprofits.org.

Protecting the charitable deduction is a vital issue for Colorado's communities. We appreciate that members of the House and Ways and Means committee have already spent considerable time hearing from nonprofits regarding potential changes connected to tax reform. Although we are greatly concerned about potential changes that could weaken the deduction, we are hopeful that the actions of the working group on charitable and exempt organizations will ultimately strengthen the effectiveness of nonprofits and incentivize the philanthropic nature of all Americans.

Sincerely,

A handwritten signature in black ink that reads "Renny Fagan".

Renny Fagan,
President and CEO

Statement Submitted by:

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