

Tax Reform and Charitable Contributions

Committee on Ways and Means

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Statement Submitted by:

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On behalf of the three million volunteers and 1,200 staff members of the March of Dimes Foundation, I appreciate this opportunity to submit a statement for the record of the February 14, 2013 hearing, *Tax Reform and Charitable Contributions*. The ability to deduct charitable contributions under Section 170 of the Internal Revenue Code stimulates the generosity of U.S. taxpayers and provides vital funds for the nonprofit sector. The March of Dimes strongly opposes any proposals to reduce or eliminate the charitable deduction. Furthermore, we encourage Congress to explore new incentives that would spur additional private support for vital scientific and humanitarian endeavors.

The history of the March of Dimes provides a vivid example of the importance of charities and their work. President Franklin D. Roosevelt established the organization in 1938 to lead, direct, and unify the fight against polio. The Foundation established a polio patient aid program and funded research for the vaccines that were developed by Jonas Salk, MD and Albert Sabin, MD. These vaccines effectively ended epidemic polio in the United States and have led to its eradication throughout almost the entire globe. Without the efforts of the March of Dimes and generosity of the American people, polio might still be a dreaded threat to the health and lives of our children.

Today, the Foundation seeks to improve the health of women, infants and children by preventing birth defects, premature birth, and infant mortality through scientific research, community services, education and advocacy. The March of Dimes is a unique partnership of scientists, clinicians, parents, members of the business community and other volunteers affiliated with 51 chapters and 213 divisions in every state, the District of Columbia and Puerto Rico. The Foundation is recognized as tax-exempt under Internal Revenue Code section 501(c)(3).

Given our nation's current budget constraints, it is more important than ever to ensure federal funding and policies are cost effective and deliver the maximum impact. The charitable deduction is a prime example of a federal investment that returns its value many times over. For example, when an individual in the highest tax bracket donates \$1,000 to charity, the government foregoes less than \$400 in tax revenue. The government is unlikely to find another vehicle that can leverage private spending for

community services or research on a nearly 2.5-to-1 ratio. Further, unlike other deductions, the charitable tax deduction encourages behavior for which taxpayers receive no personal financial benefit. This deduction is a means of enriching communities, rather than individual taxpayers. Finally, the charitable tax deduction supports the provision of services which might otherwise have to be assumed by the government or foregone by the individuals and families who benefit from them.

The March of Dimes is a publically supported charity and, as such, most of our donations come from individual donors. These donors include a broad swath of upper, middle and lower income families who contribute, on average, between \$25 and \$40 each time. According to the Congressional Budget Office, in 2008, approximately 36% of all contributions came from people earning over \$200,000, most of whom would be expected to itemize their deductions. If a cap were to be placed on the deductible portion of a wealthy individual's donations, it is estimated that between three and five percent of contributions would be eliminated. For the March of Dimes, this would represent a decrease in revenue of \$6 to \$10 million annually, which would cause devastating reductions in our programs as well as employee layoffs.

The March of Dimes plays a vital role in ensuring the future of our nation by serving pregnant women, infants, young children, and their families through our annual investment of over \$100 million in cutting-edge research, distribution of education materials aimed at preventing prematurity, birth defects and infant mortality, and our support for community-based programs. The charitable tax deduction is a vital incentive to encourage individuals to give to charitable organizations and must be maintained. March of Dimes staff and volunteers across the country stand ready to work with Congress and the Administration to ensure a vibrant charitable sector.