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Statement for the Record  
Charlotte Haberaecker  
President and CEO, Lutheran Services in America  
HOUSE WAYS AND MEANS COMMITTEE  
HEARING ON TAX REFORM AND CHARITABLE CONTRIBUTIONS

February 28, 2013

Chairman Camp, Ranking Member Levin, and distinguished Members of the Committee:

Thank you for conducting the hearing on February 14, 2013, to examine the itemized deduction for charitable contributions as part of the Committee's work on comprehensive tax reform. I am grateful for the opportunity to contribute a statement for the record as you continue your important deliberations.

Lutheran Services in America (LSA) is one of America's largest health and human services networks. LSA's over 300 member organizations collectively serve 1 in 50 Americans – children, youth, families, seniors, veterans, persons with disabilities, immigrants, those with trauma and addictions, ex-offenders, victims of disaster, the homeless and many others. LSA members raise more than \$500 million from private sources and are ranked #25 in the Philanthropy 400. Lutheran health and human services organizations provide services in all 50 states and the Virgin Islands, employ nearly a quarter of a million people and engage more than 150,000 volunteers.

You have already heard valuable testimony from many others. I echo those who eloquently testified to the vibrancy of the charitable sector, the importance of the charitable deduction to our collective work, and the damaging consequences of certain recent proposals to alter the deduction.

Charitable contributions are critical to the work of LSA members and our care for the most vulnerable. For example, charitable funding allows Peace Community Center in Tacoma, Washington, to prepare at-risk students for school from their first day of kindergarten through college graduation. A 17-year old ministry, Peace Community Center relies on private sources for 95% of its funding to provide in-school, after-school and summer academic tutoring and mentoring. Peace has used those funds to build a track record of accomplished service that is now making it competitive for larger foundation grants, which themselves are in many cases made possible by individuals benefitting from charitable incentives.

For LSA members that rely on public dollars to provide services, private giving often makes up the difference between the costs of providing services and the reimbursement rates received for providing those services. It allows for the provision of much needed benevolent care and pays for critical services that are not government-funded.

Lutheran Social Services (LSS) of South Central Pennsylvania, an \$83.5 million organization with over 1,200 employees, provided over \$7 million of benevolent care in 2012. That care is only possible because

the costs were partially offset through over \$3.2 million in private contributions and \$2.4 million in support from investments from planned giving contributions. LSS would be unable to offer this care with less private giving, which would mean more unmet needs in the community and strain on other parts of the safety net.

Similarly, Allegheny Lutheran Social Ministries (ALSM) – a \$40 million organization with 540 staff providing services in eight west central Pennsylvania counties – provides over \$1 million in charitable care each year to those with limited funds. ALSM covers these costs with \$1.5 million in donations, of which \$1.3 million is from individual contributions greater than \$25,000. Again, private dollars fill budget gaps and allow for greater service to the community and those in need.

Here in Washington, DC, Community Family Life Services (CFLS) receives private contributions for about one-third of its budget, which allows it to offer affordable permanent and transitional housing for those living in poverty, mentoring for youth and families, employment development and placement, afterschool and summer camp, and food and clothing distribution. Southeast Ministry uses charitable contributions to lift people in Southeast Washington, DC out of poverty and gain employment by paying for GED exam fees and providing fare cards and uniforms to individuals starting a new job so that they have transportation and uniforms until they receive a first paycheck. These funds are critical for individuals living in poverty, many of whom have so many barriers to attaining education and employment goals on their road to economic security.

As these examples illustrate, whether private monies make up 5% or 95% of an organization's revenues, each of those dollars is crucial for providing services and responding to community needs. A reduction in private giving – even a minimal one – means turning away those in need of care or raising program costs on people trying to achieve economic security. A significant drop in private money may mean closing programs altogether, laying off staff, or even closing down completely.

Any change to the charitable deduction that results in reduced charitable giving harms those our members serve, whether the at-risk teens at Peace Community Center, the low-income seniors at Lutheran Social Services of South Central Pennsylvania, or the unemployed receiving their GED at Southeast Ministry.

Let me conclude by citing the broader context in which our members do their good work. These are challenging times for many nonprofits and for the people we serve: the need and demand for services and the costs of providing them grow while reimbursement rates stagnate or decline and public investment in health and human services shrinks. Regulations impose additional costs, but public dollars to meet the new demands do not follow, putting additional strain on private resources.

LSA urges the Committee to protect the charitable deduction as a matter of human compassion, continuity with past precedent, and sound public policy. But we also want to state for the record that protecting the deduction while slashing public investments will not leave us further ahead as a nation.

A vibrant nonprofit sector needs BOTH a growing economy where individuals, foundations and corporations are healthy and encouraged to give AND a government that invests adequately – often through cooperation with nonprofits – in a social safety net. We recognize the need for long-term deficit-reduction, but as those difficult decisions are made, we cannot assume that deep cuts to social programs will be automatically absorbed by charitable organizations. Public funding plays a critical role in providing health and human services. We need BOTH private giving AND public investment.

Lutheran health and human services organizations are effective and efficient. They are creative and resilient. They are large and small employers, hubs for volunteers, and vital institutions in local communities. LSA members are good stewards of the public and private dollars in their care. They have been good partners with the public and private sectors for decades and longer. Most fundamentally, together we help change the lives of people who battle some of life's most difficult challenges. The charitable tax deduction is one vital tool that makes that work possible, and we urge the Committee to protect it.

Thank you for this opportunity and your consideration of these comments.

Sincerely,

A handwritten signature in cursive script that reads "Charlotte Haberaecker". The signature is written in black ink and is positioned above the typed name and contact information.

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